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Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

East Timor

Working paper prepared by the Secretariat

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I. General

1. The Territory of East Timor comprises the eastern part of the island of Timor, which is located at the extreme tip of the Nusa tenggara archipelago, some nine degrees south of the Equator; the enclave of Ocusse Ambeno, situated in West Timor some 120 kilometres west of the East Timor-West Timor border; the island of Atauro, off the northern coast of East Timor; and the island of Jaco, off its extreme eastern tip. The total area of East Timor is about 14,876 square kilometres.

2. Geographically, the terrain of East Timor is rugged, with high mountains rising abruptly from the sea along the northern coast. A central range of mountains creates a watershed, with rivers running north and south. The southern coastal plain is generally wide, with swampy areas at the river mouths and deltas.

3. The climate of East Timor is tropical. Two seasons may be distinguished: a dry one lasting from May to November and a rainy season from December to April, during which, under the influence of the north-west monsoon, violent downpours frequently occur making certain areas, especially in the mountainous interior, inaccessible by land.

II. Political developments and consideration by the United Nations

4. On 5 May 1999, the Governments of Indonesia and Portugal signed an Agreement entrusting the Secretary-General with the organization and conduct of a popular consultation for the purpose of ascertaining whether the East Timorese people would accept or reject a proposed constitutional framework providing for special autonomy for East Timor within the unitary Republic of Indonesia (see A/53/951-S/1999/513).

5. In addition to the Agreement, the Governments of Indonesia and Portugal also signed, on 5 May, two supplementary agreements with the United Nations on the modalities for the popular consultation of the East Timorese through a direct ballot and on security arrangements (A/53/951-S/1999/513, annexes II and III).

6. On 7 May 1999, the Security Council adopted resolution 1236 (1999), in which the Council welcomed the concluding of the Agreements and the intention of the Secretary-General to establish a United Nations presence, with a view to assisting in the implementation of the Agreements.

7. On 11 June 1999, the Security Council adopted resolution 1246 (1999) establishing the United Nations Mission in East Timor (UNAMET) until 31 August 1999 to organize and conduct a popular consultation, scheduled for 8 August 1999, on the basis of a direct, secret and universal ballot. The Security Council, *inter alia*, endorsed the Secretary-General's proposals contained in his report to the Security Council (S/1999/595) on the composition of UNAMET and called upon all parties to cooperate with UNAMET in the implementation of its mandate. The Secretary-General appointed Ian Martin as his Special Representative for the Popular Consultation in East Timor and head of the United Nations Mission in East Timor. Jamsheed Marker, the Personal Representative of the Secretary-General for East Timor who had led on behalf of the Secretary-General most of the negotiations leading to the 5 May Agreements, continued in his functions.

8. UNAMET became operational at a rapid pace, deploying electoral officers to the interior of East Timor. An Independent Electoral Commission responsible for the overall assessment of the consultation process was constituted.

9. On 10 July 1999, the Secretary-General proposed that registration begin on 16 July (22 June had been the original scheduled date) in order to give time to resolve the security situation (see S/1999/773) . On 14 July, in a letter to the Security Council (S/1999/786), the Secretary-General noted that all the necessary conditions did not exist for the peaceful implementation of the consultation in East Timor. The security situation in the Territory as a whole remained serious. Violence and intimidation had continued to be carried out by pro-autonomy militias. However, based on positive assurances by the Indonesian authorities that improvements in the security situation would be observed in the immediate future, the Secretary-General determined that the registration process should begin. The 20-day registration period was extended by two days in East Timor and four days outside East Timor.

10. By letter dated 28 July 1999 (S/1999/830), the Secretary-General informed the Security Council of his decision to postpone the date of the consultation until 30 August 1999. He explained that he had taken that decision for technical reasons and as a consequence of the delay in the start of registration, which had been necessary in order to seek an improvement in the security situation in the Territory.

11. On 3 August 1999, the Security Council adopted resolution 1257 (1999), by which it decided to extend the mandate of UNAMET until 30 September 1999.

12. On 30 August 1999, fully 98.6 per cent of the total 446,953 registered voters participated in the vote. The vote counting was completed on 4 September and was reported to the President of the General Assembly and the President of the Security Council (see S/1999/944). The results were as follows: 344,580 (78.5 per cent) voted to reject and 94,388 (21.5 per cent) voted to accept the proposed special autonomy.

13. Following the vote, the security situation in East Timor deteriorated, and after the announcement of the results, there was an eruption of violence (see A/54/654). Pro-integration militias and members of the Indonesian military and the police conducted operations through population centres, ransacking towns and forcibly displacing hundreds of thousands of East Timorese to the hinterlands and to West Timor. UNAMET was forced to evacuate all of its offices, except for the Dili headquarters.

14. On 6 September 1999, the President of Indonesia announced martial law would be instituted in East Timor. On that same day, the Security Council decided to send a mission to Indonesia and East Timor to relay its concerns to the Government of Indonesia. The mission was led by the representative of Namibia and included the representatives of Malaysia, Slovenia, the United Kingdom of Great Britain and Northern Ireland and the Netherlands. The mission held meetings with the President, the Foreign Minister and the Minister of Defence, as well as with Megawati Sukarnoputri, leader of the Indonesian Democratic Party for Struggle (PDIP), Xanana Gusmao of the National Council of Timorese Resistance (CNRT), members of civil society, the diplomatic corps and United Nations staff. It also visited Dili on 11 September. In New York, the Security Council held a formal meeting on 11 September; 52 Member States participated in the debate on the question of East Timor.

15. On 12 September 1999, as violence and destruction continued in East Timor, the President of Indonesia informed the Security Council that he was inviting an international force to cooperate with Indonesia in restoring peace and security in East Timor. The violence and arson had resulted in the near-total destruction of towns and villages and the flight and forced displacement of an estimated 200,000 East Timorese into West Timor.

16. On 15 September 1999, the Security Council, acting under Chapter VII of the Charter of the United Nations, adopted resolution 1264 (1999), by which it authorized the establishment of a multinational force empowered to use all necessary measures to restore peace and security in East Timor.

17. On 20 September 1999, the International Force, in East Timor (INTERFET), led by Australia, began deploying in East Timor.

18. On 27 September 1999, the Commission on Human Rights, at a specially convened session, adopted resolution 1999/S-4/1, calling for the establishment of an international commission of inquiry on East Timor, in cooperation with the Indonesian National Commission on Human Rights and thematic rapporteurs, with adequate representation of Asian experts, to gather and compile systematically information on possible violations of human rights in the Territory, which might constitute breaches of international humanitarian law, since the announcement of the vote and to provide the Secretary-General with its conclusions, with a view to enabling him to make recommendations on future action.[1]

19. The Secretary-General submitted a further report on 4 October 1999 (S/1999/1024), in which he noted that the Indonesian army had reduced its strength and its presence was limited to the Dili area. A Humanitarian Coordinator for the East Timor crisis was appointed on 11 September 1999 and worked with humanitarian relief partners and INTERFET to provide relief support to the internally displaced populations as well as those displaced in West Timor, who gradually began to return to those areas secured by INTERFET.

20. In his report, the Secretary-General proposed, in line with the Agreements of 5 May 1999, and to prepare East Timor for independence, the establishment of a United Nations Transitional Administration in East Timor (UNTAET), which would be entrusted with the overall responsibility for the administration of East

Timor, and would be empowered to exercise all legislative and executive authority, including the administration of justice for a period of two or three years.

21. On 25 October 1999, by resolution 1272 (1999), the Security Council, acting under Chapter VII of the Charter of the United Nations, established UNTAET for an initial period until 31 January 2001, in accordance with the proposals contained in the report of the Secretary-General. The Security Council decided that the mandate of UNTAET should consist of the following elements:

(a) To provide security and maintain law and order throughout the territory of East Timor;

(b) To establish an effective administration;

(c) To assist in the development of civil and social services;

(d) To ensure the coordination and delivery of humanitarian assistance, rehabilitation and development assistance;

(e) To support capacity-building for self-government;

(f) To assist in the establishment of conditions for sustainable development.

22. The Security Council further decided that UNTAET would have the objectives and structure set out in the report of the Secretary-General, and in particular its main components would be:

(a) A governance and public administration component, including an international police element with a strength of up to 1,640 officers;

(b) A humanitarian assistance and emergency rehabilitation component;

(c) A military component, with a strength of up to 8,950 troops and up to 200 military observers.

23. The Security Council stressed the importance of cooperation between Indonesia, Portugal and UNTAET in the implementation of the resolution and the need for UNTAET to consult and cooperate with the East Timorese people. The Council further stressed the responsibility of the Indonesian authorities to take immediate and effective measures to ensure the safe return of refugees in West Timor and other parts of Indonesia to East Timor.

24. The Secretary-General appointed Sergio Vieira de Mello as Special Representative of the Secretary-General and Transitional Administrator in East Timor. In his report to the Security Council of 26 January 2000 (S/2000/53), the Secretary-General pointed out that the National Consultative Council of East Timor (NCC) was established as the primary mechanism through which the representatives of the East Timorese people participate in the decision-making process. NCC was composed of 15 members: seven representatives from CNRT, one from the Catholic Church, and three representatives of political groups outside CNRT which had supported autonomy. UNTAET has four seats on NCC, including the Transitional Administrator, as chairman.

25. Steps towards reconciliation were facilitated by the strong will on the part of both the Government of Indonesia and CNRT to establish good relations. At the invitation of President Abdurrahman Wahid, a CNRT delegation led by Xanana Gusmao visited Jakarta from 27 November to 1 December 1999.

26. Mr. Vieira de Mello visited Jakarta from 12 to 14 December 1999 and met with President Wahid and the Ministers for Foreign Affairs, Defence, Political and Security Coordination, and Mines and Energy, as well as other senior officials, including the Armed Forces Command. He discussed a number of issues, including the possibility of official Indonesian representation in East Timor, UNTAET liaison arrangements in West Timor, the resumption of air services to East Timor by Indonesian carriers, future commercial links and cooperation on banking and financial services.

27. On 17 December 1999, the General Assembly adopted resolution 54/194, by which the Assembly welcomed the successful conduct of the popular consultation of the East Timorese people on 30 August 1999 and decided to conclude its consideration of the item entitled "Question of East Timor" and to include in the provisional agenda of its fifty-fifth session a new item entitled "The situation in East Timor during its transition to independence".

28. An Indonesian Commission of Inquiry into Human Rights Violations in East Timor in 1999 carried out its investigation and submitted its report to the Indonesian Attorney-General on 31 January 2000.

29. The United Nations International Commission of Inquiry visited East Timor from 25 November to 3 December 1999 and Indonesia from 5 to 8 December

1999. It submitted its report to the Secretary-General on 31 January 2000 (A/54/726-S/2000/59) who transmitted it to the General Assembly and the Security Council. The Secretary-General, in his letter, stated that he was encouraged by the commitment shown by the President of Indonesia to uphold the law and to support fully the investigation and prosecution of the perpetrators through the national investigative process under way in Indonesia. The International Commission's report stated that the evidence gathered demonstrated a pattern of serious violations of fundamental human rights and humanitarian law. It recommended that follow-up investigatory process be established urgently. By letter dated 31 January 2000 (A/54/727-S/2000/65), the Secretary-General transmitted to the General Assembly and the Security Council a letter dated 26 January 2000 from the Minister for Foreign Affairs of Indonesia, in which he stated that Indonesia rejected the resolution adopted by the Commission on Human Rights at its special session concerning the International Commission of Inquiry on East Timor but offered a few general observations on the Commission's report. The Minister for Foreign Affairs stated that the recommendations of the International Commission to establish an international human rights tribunal were unacceptable and indicated that Indonesia's efforts to address the problem of human rights violations in East Timor through its national judicial mechanism should be viewed from a wider perspective, especially in the light of the commitment of the new Indonesian Government to promote democracy, good governance and respect for human rights and fundamental freedoms.

30. The transition from INTERFET to a United Nations peacekeeping force started on 1 February 2000 and concluded on 22 February. Lieutenant-General Jaime de los Santos (Philippines), was appointed commander of the peacekeeping force.

31. The Secretary-General visited East Timor on 17 and 18 February 2000. He visited the town of Liquica, and held a number of meetings with the Transitional Administrator, CNRT leader Xanana Gusmao, Bishop Carlos Filipi Belo and Bishop Basilio Nascimento. He also attended a special meeting of the National Consultative Council. Prior to his visit to East Timor, the Secretary-General had visited Indonesia where he held meetings with President Wahid and other Indonesian officials.

32. The President of Indonesia visited East Timor on 29 February 2000. During his visit, a communiqué was signed between Indonesia and the United Nations to provide concrete steps towards the improvement of bilateral relations.

Notes

[1] *Official Records of the Economic and Social Council, 1999, Supplement No. 3A* (E/1999/23/Add.1), chap. II.

Annex

Relevant General Assembly and Security Council documents on East Timor during the period covered in the present working paper

Symbol	*Title*
General Assembly documents	
A/53/7/Add.13	Report of the Advisory Committee on Administrative and Budgetary Questions: fourteenth report: Question of East Timor
A/53/7/Add.14	Report of the Advisory Committee on Administrative and Budgetary Questions: fifteenth report: Question of East Timor
A/53/485/Add.3 and Add.5	Programme budget for the biennium 1998-1999: reports of the Fifth Committee
A/53/951-S/1999/513	Question of East Timor: report of the Secretary-General
A/54/121	Note verbale dated 2 June 1999 from the Chargé d'affaires a.i. of the Permanent Mission of Portugal to the United Nations addressed to the Secretary-General
A/54/231	Request for the inclusion of an additional item in the agenda of the fifty-fourth session: financing of the United Nations Mission in East Timor
A/54/236 and Add.1	Request for the inclusion of an additional item in the agenda of the fifty-fourth session: financing of the United Nations Transitional Administration in East Timor
A/54/380	Financing of the United Nations Mission in East Timor: report of the Secretary-General
A/54/406	Financing of the United Nations Mission in East Timor: report of the Advisory Committee on Administrative and Budgetary Questions
A/54/505	Financing of the United Nations Mission in East Timor: report of the Fifth Committee
A/54/583	Question of East Timor: report of the Special Political and Decolonization Committee (Fourth Committee)
A54/653	Financing of the United Nations Transitional Administration in East Timor: report of the Advisory Committee on Administrative and Budgetary Questions
A/54/654	Question of East Timor: progress report of the Secretary-General
A/54/660	Situation of human rights in East Timor: note by the Secretary-General
A/54/687 and Add.1	Financing of the United Nations Transitional Administration in East Timor: report of the Fifth Committee
A/54/716	Letter dated 19 January 2000 from the Permanent Representative of Portugal to the United Nations addressed to the Secretary-General
A/54/726-S/2000/59	Identical letters dated 31 January 2000 from the Secretary-General addressed to the President of the General Assembly, the President of the Security Council and the Chairperson of the Commission on Human Rights

Symbol	*Title*
A/54/727-S/2000/65	Identical letters dated 31 January 2000 from the Secretary-General addressed to the President of the General Assembly, the President of the Security Council and the Chairperson of the Commission on Human Rights
A/C.3/54/3	Note verbale dated 1 October 1999 from the General Secretariat of the Council of the European Union addressed to the Secretary-General
A/C.3/54/9	Letter dated 1 October 1999 from the Permanent Representative of Finland to the United Nations addressed to the Secretary-General
A/C.4/54/7	Request for hearing: Letter dated 1 October 1999 from Mr. Joseph Saunders, Human Rights Watch, addressed to the Chairman of the Special Political and Decolonization Committee (Fourth Committee)
A/C.4/54/7/Add.1	Request for hearing: Letter dated 1 October 1999 from Mr. Rachland Nashidik and Mr. Rafendi Djamin, Indonesian Legal Aid and Human Rights Association (PBHI), addressed to the Chairman of the Special Political and Decolonization Committee (Fourth Committee)
A/C.4/54/7/Add.2	Request for hearing: Letter dated 4 October 1999 from Mr. Charles Scheiner, International Federation for East Timor, addressed to the Chairman of the Special Political and Decolonization Committee (Fourth Committee)
A/C.4/54/7/Add.3	Request for hearing: Letter dated 5 October 1999 from Mr. Constancio Pinto, addressed to the Chairman of the Special Political and Decolonization Committee (Fourth Committee)
A/C.4/54/7/Add.4	Request for hearing: Letter dated 5 October 1999 from Mr. Carl Senna, Providence Journal Bulletin, addressed to the Chairman of the Special Political and Decolonization Committee (Fourth Committee)
A/C.4/54/7/Add.5	Request for hearing: Letter dated 5 October 1999 from Mr. Jose Luis Guterres, National Council of Timorese Resistance, addressed to the Chairman of the Special Political and Decolonization Committee (Fourth Committee)
A/C.4/54/SR.12	Summary record of the 12th meeting: Special Political and Decolonization Committee (Fourth Committee)
A/C.5/53/61	Question of East Timor: report of the Secretary-General
A/C.5/53/63	Question of East Timor: report of the Secretary-General
Resolutions	
53/240	Question of East Timor
54/20	Financing of the United Nations Mission in East Timor
54/96 H	Assistance for humanitarian relief, rehabilitation and development for East Timor
54/194	Question of East Timor
54/246 A and B	Financing of the United Nations Transitional Administration in East Timor

Security Council documents

S/1999/25/Add.17, 22, 25, 33-36, 42 and 50	Summary statements by the Secretary-General on matters of which the Security Council is seized and on the stage reached in their consideration
A/53/951-S/1999/513	Question of East Timor: report of the Secretary-General

Symbol	*Title*
S/1999/547	Letter dated 11 May 1999 from the Permanent Representative of Germany to the United Nations addressed to the Secretary-General
S/1999/595	Question of East Timor: report of the Secretary-General
S/1999/602	Letter dated 21 May 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/603	Letter dated 25 May 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/612	Letter dated 27 May 1999 from the Permanent Representative of Indonesia to the United Nations addressed to the President of the Security Council
S/1999/679	Letter dated 11 June 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/680	Letter dated 15 June 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/705	Question of East Timor: report of the Secretary-General
S/1999/709	Letter dated 21 June 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/710	Letter dated 23 June 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/735	Letter dated 25 June 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/736	Letter dated 30 June 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/750	Letter dated 2 July 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/751	Letter dated 6 July 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/773	Letter dated 10 July 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/782	Letter dated 13 July 1999 from the Permanent Representative of Indonesia to the United Nations addressed to the President of the Security Council
S/1999/786	Letter dated 14 July 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/791	Letter dated 16 July 1999 from the Permanent Representative of Indonesia to the United Nations addressed to the President of the Security Council
S/1999/803	Question of East Timor: report of the Secretary-General
S/1999/822	Letter dated 26 July 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/830	Letter dated 28 July 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/847	Note verbale dated 8 August 1999 from the Permanent Mission of Angola to the United Nations addressed to the President of the Security Council
S/1999/862	Question of East Timor: report of the Secretary-General

Symbol	*Title*
S/1999/944	Letter dated 3 September 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/946	Letter dated 5 September 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/950	Letter dated 7 September 1999 from the Permanent Representative of Ireland to the United Nations addressed to the Secretary-General
S/1999/951	Letter dated 6 July 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/955	Letter dated 8 September 1999 from the Permanent Representative of Portugal to the United Nations addressed to the President of the Security Council
S/1999/956	Letter dated 8 September 1999 from the Chargé d'affaires a.i. of the Permanent Mission of Angola to the United Nations addressed to the President of the Security Council
S/1999/961	Letter dated 9 September 1999 from the Permanent Representative of Brazil to the United Nations addressed to the President of the Security Council
S/1999/963	Letter dated 10 September 1999 from the Permanent Representative of Portugal to the United Nations addressed to the President of the Security Council
S/1999/972	Letter dated 14 September 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/973	Letter dated 14 September 1999 from the Permanent Representative of Ethiopia to the United Nations addressed to the President of the Security Council
S/1999/974	Letter dated 14 September 1999 from the Permanent Representative of the United Arab Emirates to the United Nations addressed to the Secretary-General
S/1999/975	Letter dated 14 September 1999 from the Minister for Foreign Affairs of Australia addressed to the Secretary-General
S/1999/976 and Corr.1	Report of the Security Council Mission to Jakarta and Dili, 8 to 12 September 1999
S/1999/1004	Letter dated 21 September 1999 from the Permanent Representative of Finland to the United Nations addressed to the Secretary-General
S/1999/1024	Report of the Secretary-General on the situation in East Timor
S/1999/1025	Letter dated 4 October 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/1052	Identical letters dated 12 October 1999 from the Permanent Representative of Indonesia to the United Nations addressed to the Secretary-General and to the President of the Security Council
S/1999/1055	Identical letters dated 13 October 1999 from the Permanent Representative of Australia to the United Nations addressed to the Secretary-General and to the President of the Security Council
S/1999/1072	Letter dated 15 October 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/1093	Letter dated 25 October 1999 from the Secretary-General addressed to the President of the Security Council

Symbol	*Title*
S/1999/1094	Letter dated 26 October 1999 from the President of the Security Council addressed to the Secretary-General
S/1999/1106	Letter dated 29 October 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/1123	Letter dated 2 November 1999 from the Permanent Representative of Finland to the United Nations addressed to the Secretary-General
S/1999/1146	Letter dated 8 November 1999 from the Permanent Representative of Australia to the United Nations addressed to the Secretary-General
S/1999/1148	Letter dated 8 November 1999 from the Permanent Representative of Rwanda to the United Nations addressed to the President of the Security Council
S/1999/1169	Letter dated 12 November 1999 from the Secretary-General addressed to the President of the Security Council
S/1999/1248	Letter dated 14 December 1999 from the Secretary-General addressed to the President of the Security Council
S/2000/53 and Add.1	Report of the Secretary-General on the United Nations Transitional Administration in East Timor
A/54/726-S/2000/59	Identical letters dated 31 January 2000 from the Secretary-General addressed to the President of the General Assembly, the President of the Security Council and the Chairperson of the Commission on Human Rights
S/2000/62	Letter dated 25 January 2000 from the Secretary-General addressed to the President of the Security Council
S/2000/63	Letter dated 28 January 2000 from the President of the Security Council addressed to the Secretary-General
A/54/727-S/2000/65	Identical letters dated 31 January 2000 from the Secretary-General addressed to the President of the General Assembly, the President of the Security Council and the Chairperson of the Commission on Human Rights
S/2000/92	Letter dated 8 February 2000 from the Secretary-General addressed to the President of the Security Council
S/2000/96	Letter dated 8 February 2000 from the Permanent Representative of Portugal to the United Nations addressed to the Secretary-General
S/2000/137	Letter dated 18 February 2000 from the President of the Security Council addressed to the Secretary-General
Resolutions	
1236 (1999)	Security Council resolution on United Nations presence in East Timor to assist in the Popular Consultation
1246 (1999)	Security Council resolution on the establishment of the United Nations Mission in East Timor
1257 (1999)	Security Council resolution on the extension of the mandate of the United Nations Mission in East Timor
1262 (1999)	Security Council resolution on the extension of the mandate of the United Nations Mission in East Timor
1264 (1999)	Security Council resolution on the establishment of a multinational force
1272 (1999)	Security Council resolution on the establishment of the United Nations Transitional Administration in East Timor

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Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

Bermuda

Working paper prepared by the Secretariat

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I. General

1. Bermuda[1] is located in the western part of the Atlantic Ocean about 917 kilometres east of Cape Hatteras on the North Carolina coast of the United States of America. It is named after the Spanish navigator, Juan de Bermudez, who first discovered it in 1503 and mapped the islands. In 1612, when it was known as the Somers Isles in commemoration of Bermuda's British founder father and colonizer, Admiral Sir George Somers, who had landed there in 1609, the Bermudians were in the third charter of the Virginia Company. The charter was revoked in 1684 and Bermuda became a British crown colony.

2. The Territory has a total area of 53.35 square kilometres and consists of 8 major islands and 130 smaller islands.[2] They are at latitude 32.19 degrees north and longitude 64.46 degrees west,[3] extending from north-east to south-west along the edge of what is assumed to be an extinct, submarine volcano. Many of the islands are connected and rise above sea level to an average height of 30 metres and a maximum elevation of 86 metres. The terrain is generally hilly, with fertile depressions and some marshy areas. The largest island is Great Island, or Main Island. It is about 22.5 kilometres long and 3.2 kilometres wide. It covers an area of about 3,650 hectares, consisting mostly of a fertile, shallow valley. Boaz, Ireland, Somerset, St. David's and St. George's are the next five major islands. Hamilton, the capital, and St. George's are the two main towns. Bermuda is the oldest, and one of the smallest, yet most populated of the remaining British Overseas Territories, and the oldest member of the British Commonwealth of Nations.[3]

3. According to 1998 estimates,[2] Bermuda's population of 60,075 at the time of the last census has grown to 62,378, of which 61 per cent are of African descent and 39 per cent of North American or European descent. A high number, 15,823, or 26.7 per cent of the total, were born outside Bermuda.

4. The Territory remains very densely populated (1,119 inhabitants per sq km), having grown at an annual average of 0.77 per cent between 1980 and 1991. The next census, scheduled for 2000,[4] is expected to reveal a faster growth rate during the 1990s. English is the language in Bermuda and its currency, the Bermuda dollar, is pegged at par to the United States dollar.

II. Constitutional and political developments

A. General

5. Bermuda is administered by the United Kingdom of Great Britain and Northern Ireland and is its oldest remaining colony. Queen Elizabeth II is the Head of State. Governors are appointed by the Queen and the Government of the United Kingdom, after consultations with the Premier of Bermuda. In June 1997, the Queen appointed John Thorold Masefield as the Governor of Bermuda.

6. The Constitution of Bermuda, adopted in June 1968 and amended in 1973, 1979 and 1989, contains provisions relating to the protection of fundamental rights and freedoms of the individual. It provides for the powers and duties of the Governor and the composition, powers and procedures of the legislature, the executive, the judiciary and the public service. The United Kingdom retains responsibility for defence, external affairs and internal security.

7. Bermuda has a parliamentary system of government. The Government of Bermuda comprises a Governor, a Deputy Governor, a Cabinet and a bicameral Legislature with a House of Assembly of 40 directly elected members and a Senate of 11 appointed members. Five members of the Senate are appointed by the Governor, on the advice of the Premier, three on the advice of the leader of the opposition and three by the Governor at his discretion. The 40-member House of Assembly is directly elected for a maximum term of five years. The House is 379 years old and only the legislative assemblies of the United Kingdom and of Iceland are said to pre-date it.

8. The Governor is responsible for defence, external affairs, internal security and the police. He delegates some responsibilities in these areas to the territorial Government. In exercising his reserved powers, the Governor is required to consult with the Governor's Council, of which he is Chairman, and of which the Premier and two or three Cabinet ministers, nominated by the Premier, are members. The Premier, currently Jennifer Smith of the Progressive Labour Party (PLP), and her Cabinet, through the Legislature, have full responsibility for the Government, except where restricted by the Governor's reserved powers. The Secretary of the Cabinet, appointed by the Governor in

accordance with a recommendation by the Premier, heads the public service and also acts as Secretary to the Governor's Council.

9. As a crown colony, Bermuda has no independent international relations at the political level. It maintains a 700-strong Defence Regiment; the male adult population is subject to military conscription, involving three years' part-time liability for weekly drills and an annual camp. It has a police force of approximately 450 full-time officers and several hundred part-time police reserves. The Regiment helps the Bermuda Police maintain law and order over the 21 square miles of territory.

10. It is estimated that the Government of Bermuda employs more than 14 per cent of Bermuda's entire working population. It has 9 appointed parish councils, 2 elected municipal corporations and 108 government boards. It also pays the salary of the Governor.

11. Bermuda's law and legal system are based on English common law and principles of equity, English statute law in force since 1612 and Acts of the Bermuda Parliament passed since then. The judiciary is a separate body from the Government and its members are not elected but appointed on the advice of the Chief Justice. There are three courts presiding in Bermuda, namely, the Magistrates' Court, the Supreme Court and the Court of Appeal, which sits only at certain times of the year.[5]

B. Political parties and elections

12. There are three political parties in the Territory: the Progressive Labour Party (PLP), which was the first party to be formed in Bermuda in 1963 to gain representation and power in a white-controlled political and economic system; the United Bermuda Party (UBP), formed in 1964 by whites opposed to PLP policies; and the National Liberal Party (NLP), which seeks a middle ground. The Premier is chosen from the majority party and heads a cabinet of no more than 14 members of the legislature.

13. Bermuda voters in the general and other elections or referendums must be over 18 years of age. They are either Bermudian by birth or status, or non-Bermudian, long-term residents of Bermuda for decades who are citizens of the British Commonwealth of Nations and were registered and qualified to vote since 1979, and who have remained residents since then and have registered annually to vote. Automatic citizenship applies to all children born in Bermuda, except to those born in Bermuda without either parent being Bermudian by birth or status at the time. In November 1998, there were about 37,000 registered voters, that is, about 58 per cent of Bermuda's total current population. Until 1998, voters were required to register each year. That requirement has since been lifted.[3]

14. In the last general election in Bermuda, held on 9 November 1998, PLP, led by Jennifer Smith, won a majority of 12 seats in the territorial legislature, defeating UBP and taking power for the first time in the 35 years since the party system began in 1968. The next election is due by October 2003.[6]

15. Since winning the election, PLP has been consolidating power, instituting programmes to increase black representation in management positions and discouraging employment of non-Bermudians, as well as the issuance of work permits.

16. Following a review of the civil service conducted by experts from the United Kingdom Civil Service College, a draft report, released in January 2000, recommended that the Civil Service be reformed. In April 2000, the Premier shuffled her Cabinet, halved the number of Ministers and strengthened the Cabinet Office.

III. Activities related to the withdrawal of military bases

17. Until September 1995, the United States of America maintained a naval air station in Bermuda; its evacuation released land amounting to 10 per cent of the Territory's total area. Information on activities related to the withdrawal of the military bases during 1993 and 1994 is contained in previous working papers on the Territory prepared by the Secretariat (A/AC.109/1189, paras. 31-35, and A/AC.109/2020, paras. 10-11). In October 1995, Grant Gibbons, the then Minister of Finance, announced the closure of military bases and/or installations in the Territory, namely, the United States Naval Air Station at St. David's, the United States Naval Annex and Tudor Hill facility at Southampton and the former Canadian Forces Station at St. Daniel's Head. He warned that the withdrawal of those bases would result in an annual loss by the Territory of approximately US$ 50 million in the foreign currency earnings that had originated

from their operation. The Minister further unveiled a long-term plan for the utilization of the land transferred to the jurisdiction of the territorial Government as a result of the closures. Implementation of the plan, which includes various development projects for commercial, recreational/tourist and educational purposes, could create 3,000 additional jobs in Bermuda. The Bermuda Land Development Company, a quasi-government agency which was set up in 1996 after the British, the United States and Canadian military forces pulled out of their respective bases, is managing the projects (see A/AC.109/2041, paras. 8-9). The cost of refurbishing the former United States base is being borne by the Government through the Bermuda Land Development Company.

18. The closure of the United States military bases has left a significant environmental problem which relates to asbestos that was used in buildings and other facilities of the bases. Asbestos is being removed from the buildings that are being demolished; it is reported that Bermuda is holding some 525, 20-ton shipping containers full of asbestos (see also para. 81 below).

19. The land of the former base also poses a problem of soil and groundwater pollution. The environmental situation is unique, with an extremely fragile marine environment surrounding the island and some of the most northerly coral reef areas. Land is obviously scarce, freshwater resources are very limited and there is no storage capacity for hazardous waste disposal. In addition, unless they are removed, industrial waste and raw sewage that were disposed of in Bassetts' Cave will pose a threat over time to parts of the Territory's water system. Underground and above-ground petroleum storage tanks — many in poor condition — are leaking into surrounding soil and groundwater. Landfills left behind are also causing environmental problems.

20. While the United Kingdom and Canada have contributed to cleaning up the sites of their former bases, Bermuda's previous Government tried, without success, to get the United States to pay to clean the polluted sections of its former bases. The Government had asked for $55 million, but was reportedly advised that the pollution did not pose a known imminent and substantial danger to human health and safety.

21. According to media reports, the new Government of Bermuda resumed communication with the Government of the United States regarding the issue in 1999. The Territorial Government invited United States lawmakers to Bermuda for a first-hand look at the pollution problems faced at the old United States naval installations in the hope that the United States would accept its responsibility to clean up its former bases. In November 1999, a senior delegation from the British Foreign Office and the British Embassy in Washington, D.C., also visited the former military bases to view the situation in practical terms before pursuing the issue with the United States Government. According to the media, the British Government supports the territorial Government's position that the United States is responsible for the clean-up of the pollution left behind on the military bases.[7]

IV. Economic conditions

A. General

22. Bermuda has no natural resources, in the conventional sense, upon which to build a viable economy. It has historically capitalized on its location and scenic beauty and has developed a renowned tourist industry, which continues to be an important component of the territorial economy. The international business industry also makes an important contribution to the economy of Bermuda, bringing in large amounts of foreign currency. Other earnings are derived from shipping, investment income and other goods and services.

23. Manufacturing and agriculture exist on a limited scale and therefore contribute little to the economy of Bermuda. The local manufacturing sector includes printing, fish processing and ship repair, as well as the manufacture of paint. In recent years, there have been attempts to attract high-technology companies to Bermuda in an effort to develop in the Territory a centre for information technology. Agricultural activity is constrained by the small amount of land available for farming.

24. As a policy, successive budgets have included increases in a variety of taxes and fees for government services; a capital gains tax on property sales by non-Bermudians was introduced in 1995. There is no income tax and customs duties account for about 35 per cent of government revenues. Other significant revenue sources are company fees, land and stamp taxes, employment tax, a hospital levy, vehicle licence fees

and taxes on hotel occupancy, passenger departures and cigarette sales. On the expenditure side, recent years have seen an increasing stress on improving the competitiveness of the tourism sector and enhancing the skills of Bermudians.

25. Bermuda's openness to the world economy and strong links with the United States economy largely determine its pattern of economic growth. The resumption of economic growth in the mid-1990s was owing to the international business sector, as tourism has been in decline, hit by competition from other less expensive destinations. Bermuda's heavy dependence on imports, overwhelmingly from the United States, and the currency's peg to the dollar means that inflation tends to follow the United States pattern.[2]

26. According to the Government of Bermuda,[8] in 1999, Bermuda's economy slowed from its rapid expansion since 1995. The gross domestic product (GDP) in 1999 grew at an estimated 3.7 per cent (1.5 per cent in constant dollars, after removing the effect of inflation) to reach $2,457.1 million. After several years of low and stable rates of inflation, prices began to rise more quickly in 1999. Consumer expenditure rose to $1,583.2 million, an annualized increase of 6.0 per cent. For the first time since 1995, in May 2000 inflation rose to 3 per cent.

27. Export earnings were not as strong a component of economic growth as in previous years. Expenditures by international businesses grew by less than 1 per cent to $757.4 million in 1998/99. Tourism continued to struggle in 1999. The contribution to growth in GDP by both tourism and international business were negative, once expenditure was adjusted for inflation.

28. There was a strong increase in imports during the fiscal year 1998/99. Imports surged by 8.8 per cent to $1,246.6 million. Trade data shows that imports of machinery and materials were particularly strong reflecting strong growth in the construction industry.

B. Public finance

29. The PLP Government's first budget, presented in February 1999, was designed to implement its plan of social and economic reconstruction. The budget for 2000-2001, which was presented on 18 February 2000 by the Minister of Finance of Bermuda, is committed to the advancement of the people of the Territory. Bermuda receives no financial assistance from Britain. The Government will provide extensive new funding for education and training, continued support for Bermuda's health-care system and funds to address the housing problem. Financial support will also be provided for the administration of justice, law and order; for open spaces in crowded neighbourhoods and solutions to traffic congestion.[9]

30. The most controversial political and social aspect of the budget is the attempt by the PLP Government to improve the racial representation of black Bermudians in higher levels of corporate Bermuda. In March 2000, it introduced a complex reporting and penalty procedure to encourage the employers to improve the racial make-up of the workforce to statistically resemble that of the general population.[10]

31. The revised revenue for 1999/00 is expected to exceed the original estimate by some $18.3 million to total $569.9 million,[9] and actual expenditures are anticipated to reach some $515.2 million. The estimated revenue for the financial year 2000/01, as presented by the Minister of Finance, is $591.83 million, and the total expenditure on current accounts for the fiscal year is anticipated at $528.67 million, that is a 3.465 per cent increase over the estimated figures for 1999/00. The additional revenues are expected to come principally from payroll tax, stamp duties, company fees and customs duties, land tax and the passenger tax. These will also offset the forecasted reduction in revenues from the Post Office, the sale of land to non-Bermudians, bus and ferry fares and the hotel occupancy tax.

32. The bulk of the new cash would go to education and training, housing, health and social services, with somewhat lesser amounts going to law and order, environment and international initiatives. The Government will also spend additional sums to promote tourism.

33. The current balance-of-payments account showed a surplus of $242 million in 1998 and a further substantial surplus is expected for 1999. Government borrowing remained very modest and is anticipated to be at 7.0 per cent of GDP at 31 March 2000.

34. The PLP Government imposed no new taxes in its 1999-2000 or 2000-2001 budgets. In order to maintain the Government's fiscal position, successive budgets have increased a variety of taxes and fees for government services. In the 2000-2001 budget, PLP adjusted almost all existing taxes upwards to pay for

the burgeoning cost of its social programmes. A review of the tax system by consultants commissioned by and completed under the former UBP Government, has been sent back to them for further work.[11]

C. International financial arena

35. Britain's membership in the European Union has raised questions for Bermuda, since the European Union Code of Business Conduct applies to all its member States. However, in the view of the Minister of Finance, the manner in which the Code may be applied to overseas dependent territories of such member States has not yet been clarified. The review and reassessment of the economic relationships between the European Union and Overseas Territories was due to be completed in February 2000, but current arrangements are likely to remain in place for another year.

36. Britain's White Paper on its relationships with its Overseas Territories promised a financial regulatory review of those territories in order to ensure that they implement and adhere to world standards of financial regulation. Bermuda's Ministry of Finance is a member of a Steering Committee that has worked to determine the international standards by which the financial sectors of the economies of the Territories will be judged. That Committee has selected the consulting firm KPMG to conduct the regulatory review that is to be completed by June 2000.

37. Britain has confirmed its support for the G-8 initiative to pursue tax evaders and money-launderers through a coordinated international effort and Bermuda is discussing the matter with the United Kingdom. While it does not support the presence in Bermuda of criminal proceeds, or any facility to launder money, Bermuda respects the privacy of any individual who wishes to conduct legitimate business in its jurisdiction.[9]

38. According to the Minister of Finance, Bermuda was asked by the Organisation for Economic Cooperation and Development (OECD), to respond to suggestions that it is a tax haven or a harmful tax jurisdiction because of the perception that its tax laws encourage mobile capital to leave established economies for purely tax reasons. A delegation comprising Ministry of Finance staff, the Attorney General and the Minister of Finance, engaged in direct discussions with the OECD Forum established to examine these matters. This resulted in an invitation to continue discussions that would lead to the omission of Bermuda's name from a list of tax havens or harmful tax jurisdictions currently being prepared by OECD.

39. The Financial Stability Forum, composed of G-8 and non-G-8 countries, as part of the move to reform the international financial architecture, is assuming the job of reviewing the role of offshore centres and will examine Bermuda's place in the world. The Bermuda Monetary Authority and the Ministry of Finance have both held talks with representatives of the Forum and will continue these exchanges. In the view of the Minister of Finance, Bermuda must demonstrate aggressively to the world its integrity and high standards as a financial centre and differentiate itself from jurisdictions of questionable standing.[9]

D. Banking

40. Foreign banks are not allowed to operate in Bermuda; as a result, local banks benefit from a quasi-monopoly in handling lucrative international business operations for offshore clients. The Bank of Bermuda, founded in 1889, is ranked as the world's 684th largest bank and the Bank of Butterfield is ranked 795th. A third bank, Bermuda Commercial Bank, founded in 1969 and the only bank that is owned by Bermudians of African ancestry, was acquired in 1993 by First Curação International Bank based in the Netherlands Antilles. There is no central bank in Bermuda. Instead, the Bermuda Monetary Authority is the regulatory authority of banks and also of the trust companies.[3]

41. Banks in Bermuda must by law be at least 60 per cent beneficially owned by Bermudians.[3] Foreigners and foreign corporations are restricted from owning more than 40 per cent in local companies doing business within the Territory.[2]

E. International business

42. Bermuda remains one of the world's leading offshore financial and business centres, a leading world captive insurance centre and a favoured venue for specialist companies operating as financial reinsurers covering international companies against the cost of legal awards.

43. The foundations for Bermuda's insurance industry[12] were laid shortly after the Second World

War. United States corporations realized they could save money with a paper device known as a captive insurance company, which enables a corporation to effectively sell itself insurance and deduct the premiums from its taxable income. Many United States corporations began registering their captives in Bermuda and today, there are reputedly some 1,400 captives in Bermuda, more than anywhere else in the world.

44. According to an annual survey of the impact of international companies on the economy of Bermuda, Professor Archer of the University of Surrey found that in 1998:

(a) There were 10,938 international companies registered in Bermuda at the end of December 1998, an increase of 969 companies, or 9.7 per cent over 1997;

(b) International companies spent $759.3 million, an increase of $16 million over 1997;

(c) There were 355 international companies with a physical presence in Bermuda; they spent $601.8 million in the Territory, representing 79 per cent of foreign currency earnings of all international companies, even though they comprise only 3.2 per cent of the total number of companies on the international register;

(d) These companies directly employed 2,872 people in 1998: 1,594 Bermudians and 1,278 non-Bermudians;

(e) Over 20,000 business travellers, with some 12,000 friends and relatives, visited the international companies and contributed $24.8 million to the Bermudian economy.

45. Data from the Registrar of Companies show that the number of international entities on the register at the end of September 1999 had increased by 596 (5.6 per cent) over the preceding 12 months, to 11,149.

46. The Registrar of Companies also shows that the Bermuda insurance industry continued to expand in 1998. Gross premiums increased by 5 per cent from $25.4 billion in 1997 to $26.6 billion in 1998. Net premiums increased by 4 per cent from $20.4 billion to $21.2 billion over the same time period. Total insurance assets were 4 per cent higher at $116.4 billion and capital surplus climbed 6 per cent to $51.2 billion. Some 96 new insurance companies were added to the register for international insurers and, after adjusting for removals during the year, the total on the registry rose to 1,493.[13]

47. Bermuda maintains a substantial shipping register, which ranks as the fifth largest in the world, and now outstrips tourism as a foreign-exchange earner and contributor to government revenues.

48. The 27-year-old Bermuda Stock Exchange continues to promote itself as an offshore jurisdiction for listing companies. At the end of 1998 it had 251 listed securities, including 170 funds, 13 trading members and 4 listing sponsors. Total trading volume was in excess of $27 billion. It is in the process of switching to a new electronic trading system.[14]

F. Tourism

49. Tourism continues to constitute a major sector of the territorial economy and a principal source of foreign exchange, accounting for just under 50 per cent of Bermuda's overseas earnings. However, it has undergone a steady decline since the 1980s. Bermuda has an upmarket image and the absence of casinos and gambling makes it less attractive to the mass market. 1999 was a disappointing year for tourism, with a 1.8 per cent decline in tourist arrivals. Visitor expenditures increased by $8.9 million in fiscal year 1998/99, an increase of 1.9 per cent which, after adjusting for inflation, actually signifies a drop of 0.1 per cent. Measured in constant dollars per capita, tourist expenditures fell by 21.3 per cent between 1990/91 and 1998/99. The contribution made by tourism to GDP fell from 29.3 per cent in 1990/91 to 19.9 per cent in 1998/99.[15]

50. Hotels reported 3.6 per cent fewer guests in 1998 and the number of nights fell by 1.7 per cent. The decline is attributed largely to increased competition from cheaper destinations. About 80 per cent of stop-over visitors come from the United States, making Bermuda vulnerable to economic recession in that country. Canada and the United Kingdom account for almost all other arrivals.[15]

51. As regards Bermuda's tourist industry, Professor Archer's annual survey (see para. 44) found that, in 1998, visitors spent $486.8 million; cruise ship passengers accounted for $42.8 million of this expenditure; tourism created direct employment of 6,160 jobs; and public sector revenue generated was $120 million.[16]

52. The Government has pledged to revitalize the tourist sector, and has prepared a five-year strategy with the help of consultants. With the cooperation and involvement of the private sector, efforts are being made to increase air arrivals. Delta Air Lines, Trans World Airlines (TWA) and US Airways have scheduled additional and more convenient direct flights from the United States. Avoiding the mega-cruise ships in its efforts to maintain its place as a single destination special market, a marketing strategy has been designed to boost cruise passengers numbers.[17]

53. With the closure of one of the Territory's largest hotels in November 1999, the total number of tourist rooms fell below 3,300. Discussions with developers regarding new or closed properties should lead to commencement of new projects in 2000. Several major hotels have embarked on major renovations to upgrade their products. With new or refurbished hotels and resorts, better training for hotel staff and more attractions to existing resorts, there is optimism that tourism will be boosted.

G. Communications and transport

54. According to professional analysts, the transport and telecommunications infrastructure is of a high standard, which reflects the high income level and requirements of the main economic activities. The Territory continues to be an attractive location for innovative international telecommunications firms.[14]

55. The international telecommunications system was recently liberalized. Since May 1997, the long established monopoly of Cable and Wireless has been challenged by the newly licensed TeleBermuda International. The Bermuda Telephone Company is the main provider of local calls. In 1998, a new competitor, Quantum Communications, began providing data services but operations were suspended in 1999. The owners, Belco Holdings Ltd., the monopoly electrical utility, and Cable & Wireless (which owns a minority interest) have put the company up for sale. A cellular telephone service provider, Bermuda Digital Co. Ltd., is scheduled to begin operations in 2000.

56. The Bermuda Broadcasting Company operates two commercial television stations and four radio stations. A third television channel and three radio stations are operated by the De Fontes Broadcasting Company. *The Royal Gazette* is the only daily newspaper and there are two weekend newspapers, one of which also publishes a mid-week edition.

57. Airport services are reported to have improved considerably in recent years. There are regular and well-established services between Bermuda and the United States and to the United Kingdom. Hamilton serves as the main port in the Territory and supports container facilities, whereas port services are provided at St. George's and Ireland Island, a free port. As noted above, additional routes and flights have been scheduled by major airlines from the United States.

58. Bermuda has a network of about 200 km of public roads and another 400 km of private roads that can support car, lorry and tanker traffic. In 1998 there were 51,258 registered road vehicles, including 22,000 private cars. Bermudian households are limited to one passenger vehicle each, in order to limit congestion.[11]

59. Bermuda is totally dependent on imported oil energy. Its electricity capacity is thermal-diesel or gas-turbine. Electricity production and distribution are the responsibility of the Bermuda Electric Light Company.

V. Social conditions

A. General

60. During the last fiscal year, 1999-00, the Government continued to push through its social reform package. It sought to meet the requirements outlined in the British White Paper and successfully abolished capital and corporal punishment. It also appointed an Attorney General and a Director of Public Prosecutions; strengthened the Accountant General's internal audit section; implemented the "Mowbray Report" recommendations on police service pay (increases); addressed night patrol needs in prisons; and transferred child-care and opportunity workshops to the Ministry of Health and Family Services. In addition, it provided for an education officer for the Human Rights Commission, extended working hours at the Bermuda Library and provided additional support for the arts.[9]

61. In presenting its 2000-2001 budget, the Government of Bermuda has placed emphasis on quality-of-life issues, including education and training, and the health-care system.[9] Other main legislative priorities remain the provision of more affordable

housing and the elimination of racial discrimination in the workplace.[18]

B. Labour

62. Preliminary results from the 1999 employment survey show that the number of filled jobs in August 1999 reached 37,044, an increase of 1,721 jobs or 4.9 per cent over the same month in 1998. Comparatively, only 27 filled jobs were recorded between the 1997 and 1998 employment surveys. Increases were recorded in business services and international companies, while hotels and the retail sector registered a further drop in the number of jobs filled.[9]

63. Bermudians accounted for 1,033, or 60 per cent, of the increase in filled jobs. This represents turnaround from the 1998 employment survey, which had showed a decrease in the positions filled by Bermudians, but an increase in those held by non-Bermudians. The nationality split of the workforce has become a political issue in recent years and there are fears that too many non-Bermudians are getting employment opportunities ahead of Bermudian nationals.[19] The Government has embarked on a lengthy and comprehensive review of the work permit policies. For example, employers are required to apply for work permits for non-Bermudians. According to preliminary estimates for 1999, of a total of 37,044 employed non-Bermudians (including non-Bermudian spouses of Bermudians) accounted for some 8,958 or 24 per cent of the job market. Figures for 1998 show that 2.6 per cent more men were employed than women.[20] Overall, women outnumber men in the community services, education, financial sector, retail and wholesale trades. Men outnumber women in the transport sector. The average household income in 1999 was estimated to be $69,500,[3] one of the highest in the world on a per capita basis.

64. The Bermuda Government is the largest single employer, with 13 per cent of the entire workforce working directly or indirectly for it. The majority of employees in Bermuda work for a relatively small number of businesses. Bermudians most affected by the downsizing are those without formal academic or professional qualification and who, as a result, become unemployable. Some government financial assistance is given to pensioners, single parent families, the temporarily disabled, the permanently mentally or physically handicapped and the unemployed or underemployed who do not have sufficient income to live on. There is also a housing allowance programme for Bermudians who face temporary rent payment difficulties.

65. Bermuda has a compulsory contributory pension plan administered by the Government for all employees of private sector employers, with employers and individual employees each paying 50 per cent of the premium. Non-Bermudian employees are also required to be covered and are fully entitled to whatever benefits they accrue under the plan's provisions. Currently it provides a maximum of $755 per month to fully eligible beneficiaries.[3]

C. Race, human rights and gender

Race

66. In 1993, the Government created a new Ministry of Human Affairs to deal with racial discrimination in the community and to work with all concerned towards its elimination (see A/AC.109/1189, para. 75). The Commission for Unity and Racial Equality Act, 1994 was enacted by the legislature and the Commission was established in 1995. In 1995, the Commission released a report which highlighted the problems that stemmed from the continued existence of institutionalized racism and racism in the workplace. The Commission has made several recommendations for the establishment of a code of practice for the elimination of racial and gender discrimination in employment. Detailed information regarding this was outlined in document A/AC.109/2109, paras. 49 and 50. (See also A/AC.109/1999/3, paras. 55-58.)

67. It was reported in the press that the PLP Government's efforts to amend the Act to make the code of practice legally binding failed in the Senate. In June 1999, the Commission employed Research Innovations Ltd. to carry out a survey of organizations with 10 or more employees, in order to get an indication of the extent to which the business community was voluntarily complying with the guidelines of the code of practice. The survey of 547 organizations, accounting for 80 per cent of the workforce, showed that compliance with the code was minimal.[21] The Government claims that the introduction of equal opportunity legislation to the workplace in Bermuda would help, rather than hinder,

international business. Businesses assert that the work permit restrictions and proposals for monitoring racism in the workplace were too bureaucratic and intrusive.

Human rights

68. Bermuda is covered by the following human rights conventions, pursuant to their accession by the United Kingdom:

(a) Convention on the Prevention and Punishment of the Crime of Genocide, acceded to by the United Kingdom on 30 January 1970;

(b) International Covenant on Economic, Social and Cultural Rights, signed and ratified by the United Kingdom on 16 September 1968 and 20 May 1976, respectively;

(c) International Covenant on Civil and Political Rights, signed and ratified by the United Kingdom on 16 September 1968 and 20 May 1976, respectively;

(d) Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, signed and ratified by the United Kingdom on 15 March 1985 and 8 December 1988, respectively; Bermuda was included on 9 December 1992;

(e) Convention on the Rights of the Child, signed and ratified by the United Kingdom on 19 April 1990 and 16 December 1991, respectively;

(f) International Convention on the Elimination of All Forms of Racial Discrimination, signed and ratified by the United Kingdom on 11 October 1966 and 7 March 1969, respectively; it covers Territories under the territorial sovereignty of the United Kingdom;

(g) Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty, signed by the United Kingdom on 31 March 1999.

69. In a statement made on 3 April 2000, Baroness Scotland of the United Kingdom reiterated that Territories that choose to remain British must abide by the same standards of human rights and good governance that Britain demands of itself. Everyone should enjoy the same protections in law; there should be no discrimination between peoples on the basis of age, colour, gender or sexual orientation. She noted the decision of the Parliament of Bermuda to abolish the death penalty and judicial corporal punishment and applauded the Government of Bermuda for its leadership on the issue. She cited the Bermuda Human Rights Commission's review of public policies and procedures in the context of international human rights obligations as an example for other Territories to emulate.

70. Investigations by the Bermuda Human Rights Commission have nearly doubled in the past four years, according to a press report. In 1998, after receiving 989 complaints, the Commission launched 142 investigations which represent a 77 per cent increase from 1994, when 80 investigations were carried out. Thirty-five investigations resulted from complaints of pregnancy discrimination, 16 were based on gender-related complaints and 21 related to complaints of sexual harassment. The Commission also investigated 18 complaints brought on racial grounds, 9 of them alleging racial incitement and the other 9 relating to place of origin. Bermudians' increasing awareness of their rights and the determination to protect those rights may be responsible for the increasing number of complaints.[22]

Gender issues

71. Bermuda is not a signatory to the Convention on the Elimination of All Forms of Discrimination against Women or the United Nations Declaration on the Elimination of Violence against Women, which was ratified by the United Kingdom in 1986. Once ratified by the United Kingdom, United Nations conventions can be applied to Bermuda upon request; Bermuda is not among the three British Dependent Territories that requested that the Convention be applied to them. Amnesty International is trying to collect at least 10,000 signatures to a petition in Bermuda, to be handed over to the Premier, and hopes to get support from businesses and charitable organizations for its campaign.

D. Public health

72. The Ministry of Health and Social Services continues to be responsible for all aspects relating to public health. Medical care is provided by private practitioners and three government health clinics. Fees are charged for hospital care, and medical insurance is compulsory for all workers. A hospital levy covers the cost of services rendered by the hospitals to children

under 16 years of age. Indigent persons over 65 years of age pay 20 per cent of hospital costs.

73. The Government wants its health-care system to provide quality care as efficiently as possible and is committed to improving health care. Accordingly, in the 2000-2001 budget, it has allocated $112.2 million, including $4.3 million in new money to the Ministry of Health and to the hospitals. This will include additional amounts for an in-patient subsidy, increased operating costs, an in-patient detoxification unit and a resident psychiatric doctor to support childcare and to work with substance abuse.[9] As the population becomes older, the demand for care for the elderly grows. In the last Parliamentary session, the Government passed a new Nursing Homes Act, but the regulations that would enforce the legislation have still to be made public.[23]

74. The Government is paving the way for radical reforms in the health insurance system to correct perceived imbalances. It is developing a national policy on acquired immunodeficiency syndrome (AIDS). Accordingly, the Caribbean Epidemiology Centre has been evaluating human immunodeficiency virus (HIV)/AIDS surveillance systems over the past three years in certain countries in the Caribbean, including Bermuda. Under the best of circumstances, there is an 8 to 10 per cent incidence of under-reporting of HIV/AIDS and in the worst cases, the percentage increases to between 75 and 89 per cent.

75. There has been a resurgence of concern over the return and spread of dengue fever, which had been eradicated from Bermuda in the 1940s. Mosquitoes are said to be flourishing in the central parishes and the Ministry of Health is seeking the public's help in destroying their habitat. According to the Caribbean Epidemiology Centre, the increase in the possibility of explosive outbreaks in the Caribbean region could have consequences for the local population and for the tourism industry.[24]

E. Housing and construction

76. Residential unit construction fell in the first three quarters of 1999, compared to the same period in 1998. The number of units built fell from 157 to 139, probably owing to the high cost of construction of residential units.

77. The Government is committed to solving the housing shortage in Bermuda, which some argue is a crisis of affordability, rather than availability. The Bermuda Housing Corporation has implemented various programmes to provide for the housing needs of the population and will receive an increase in its grant of $461,000 towards the operation of its "100 houses project". This will be used to help finance the cost of renovating and constructing housing units until rental income begins to flow in to replace government funding, and to aid those tenants who are unable to afford market level rents.[24] It is building new units and will increase its housing stock by 450 units through three separate programmes. However, building new houses takes time and construction in Bermuda is expensive. Besides the Government's use of the funds raised from land taxes, actions like incentives for landlords, lowering of housing subsidies, renovating existing properties and promoting home ownership, will together contribute to alleviating the housing shortage.

78. Commercial private sector construction dominated activity in the building industry. The construction industry expanded rapidly, with an estimated $106.4 million in total value of work in the first three quarters of 1999, representing an increase of 13.8 per cent over 1998.[9]

F. Environment

79. The PLP Government has passed a new green law, the 1999 Clean Air Amendment Act, which will ensure tougher emission standards and seek to lessen pollution from vehicle spray shops, dry-cleaners and firms using gas and diesel pumps. The Environmental Authority is responsible for ensuring compliance.

80. As a result of environmental efforts and policies, the Bermuda cedars have made a comeback after blight destroyed them in the 1950s, the native Cahow bird is no longer threatened with extinction and the bluebird population has increased. The yellow-crowned night heron has been successfully reintroduced and turtle conservation is under way. Reef fish populations have increased, owing to the ban on fish pots and the implementation of a strict fishing policy. While agricultural land, nature reserves, other open spaces and rural areas have declined in total acreage, the number of national parks, recreational and golf course areas and woodland reserves has been growing steadily

in acreage and now account for 51 per cent of Bermuda's total land area.[3] However, Bermuda has yet to improve its waste-management facilities and programme, which has come under criticism.[25]

81. The major environmental concern, however, remains the thousands of tons of asbestos left behind by departing military contingents. The asbestos dust was "safely" packaged, but could not be dumped at sea or buried underground. Some 525 containers of asbestos at the Bailey's Bay quarry and at the old United States Navy base at South Side, St. David's, have been constantly monitored by officials from the Environment Ministry. The Government has high hopes that the United States Government will provide financial assistance to clean up the asbestos and clear the ground of oil and heavy metals before the land can be redeveloped (see para. 18 above).

G. Drugs, criminal justice system and police

82. According to press reports, there are few statistics on the extent to which Bermuda has been affected by the drug problem. The National Drug Commission hopes that the soon-to-be released figures from a 1999 survey will provide a clearer picture. The Governor has called for a new look at legalizing cannabis, but the Commission has pronounced itself against its legalization and a full debate is expected on the issue. Heroin and cocaine use is also on the rise and there has been a marked rise in drug-related violent crime, owing to a diminished supply on the streets. Concern is also mounting over the health risks associated with the party drug "ecstasy", which, according to an unofficial report, is being used widely across the island, and the Commission is launching a prevention programme against its use.

83. Media reports indicate that the crime rate has increased more than 10 per cent over 1999, with noticeable increases in firearms-related offences, violent crimes and sexual assault cases. A total of 336 violent crimes were reported in 1999, compared with 296 in 1998. The Government plans to hire needed additional police officers from overseas.

H. Educational conditions

84. Education in Bermuda is compulsory for all children from 5 to 16 years of age, and is free for students in the pre-school, junior, special and secondary government schools administered by Bermuda's Ministry of Education.

85. Bermuda has a Public Schools' Code of Conduct embodied in the Education Act 1996, which is applied to all government schools and has its equivalent enforced in private schools.

86. There are no degree-conferring universities, and no business or law schools in Bermuda. The Government awards a number of scholarships each year to young Bermudians accepted at leading universities in the United States, Canada or the United Kingdom. Scholarships are also awarded by local banks, principal law firms and Bermuda-based international companies, to obtain university degrees or to enter the civil service, banking, business, insurance and legal firms in the private sector. Under the Bermuda Government's National Education Guarantee Scheme, begun in 1994, no Bermudian student with university potential is denied an opportunity for further education owing to a lack of funds. The Government provides education loans for university attendance with a generous pay-back period.[26]

87. During the current fiscal year, the budget of the Education Ministry is to increase by $885,000, to $85.9 million. The Department of Education will get $68,958,000 of these funds towards the running of the curriculum and schools. The balance of the budget will be used by the Ministry for scholarships, construction and capital projects, wheelchair accessibility, school safety review, library, administration and promotion and sponsorship of educational programme expenses, etc.

VI. Future political status of the Territory

A. Position of the administering Power

88. On 4 February 1998, the Secretary for Foreign and Commonwealth Affairs of the United Kingdom, Robin Cook, in a speech before the Dependent Territories Association in London, announced that in his first months as Foreign Secretary he had set in

motion a review of the United Kingdom's stewardship of the Dependent Territories. A summary of the principles and key issues contained in the proposal to modernize the United Kingdom's relations with the Territories is contained in document A/AC.109/2102, paragraphs 70 to 81.

89. In March 1999, the Government of the United Kingdom presented a White Paper to its Parliament, entitled "Partnership for Progress and Prosperity: Britain and the Overseas Territories". The text of the White Paper is set out in the annex to document A/AC.109/1999/1. Key recommendations are noted in paragraph 89 of document A/AC.109/1999/3.

90. In a speech at the Conference at Wilton Park on "Overseas Territories" on 3 April 2000, Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs, Baroness Scotland, stressed the principles of partnership on which Britain wished to build its relationship with the Overseas Territories. These were: self-determination; responsibilities of both partners; the exercise of democratic practices in the Territories to allow their people the greatest degree of control over their own lives; and continuance of British assistance to those Overseas Territories that needed it.

91. Because it is financially independent, Bermuda does not need development assistance from Britain. In fact, in speaking about Bermuda, Baroness Scotland said that the effectiveness of the policies followed there for some years was reflected in the Territory's flourishing, forward-looking, enterprise-based economy.[27]

92. In addressing the Fourth Committee of the General Assembly on 6 October 1999, the representative of the United Kingdom said that her Government had made further progress in its efforts to transform its relationship with its Overseas Territories into a fully modern partnership, based on the four fundamental principles of self-determination, mutual obligations, freedom for the Territories to run their affairs to the greatest degree possible, and a firm commitment from the United Kingdom to help the Territories economically and to assist them in emergencies. Among the measures being taken was the decision to offer British citizenship and the right of abode to those people of the Overseas Territories who did not already enjoy it, thus meeting a long-standing request of the peoples of the Territories (see A/C.4/54/SR.5, paras. 91-92).

B. Position of the territorial Government

Independence referendum

93. It will be recalled that, on 24 March 1995, the territorial House of Assembly adopted the Independence Referendum Act. On 5 April 1995, the bill was approved by the Senate. The referendum was held on 16 August 1995. According to the administering Power, 58.8 per cent of registered voters participated in the referendum, the results of which were as follows: 25.6 per cent voted in favour of independence; 73.7 per cent voted against; and 0.7 per cent abstained. Following the referendum, the Premier of Bermuda, John Swan resigned and was replaced by former Finance Minister David Saul (see A/AC.109/2020, paras. 31-40, and A/AC.109/2041, paras. 35-37).

94. In September 1995, David Saul, then Premier of Bermuda, stated that "independence was water under the bridge" and that the "issue would not be raised again during the life of the current parliamentary session".[28]

95. However, with the publication of the White Paper, independence resurfaced as an issue, although, at the time of writing of the present report, there has been no official reaction to the paper as such. According to press reports, the initial reaction of the PLP Government when the White Paper was first released was positive,[29] whereas the opposition leader's reaction was to call for a referendum.[30] The White Paper has been debated and discussed in the public media and the press. According to a media poll conducted in 1999, a majority favoured receiving British passports. According to others, the White Paper is considered "divisive". There is some concern that if Bermudians do not choose to accept what is being offered the United Kingdom will effect the changes it wants anyway.

96. The current Prime Minister and leader of the PLP, Jennifer Smith, has said that the party will continue to advocate independence from the United Kingdom, but that any such move would be a matter for another general election.[31]

C. Action by the General Assembly

97. On 6 December 1999, the General Assembly adopted without a vote resolution 54/90 B, section III of which concerns Bermuda.

Notes

[1] The information contained in the present working paper has been derived from published information.

[2] The Economist Intelligence Unit, Country Profile — Bermuda 2000/2001.

[3] Web site: Bermuda-online.org 3 May 2000.

[4] *The Royal Gazette*, 30 August 1999.

[5] British Overseas Territory White Paper, Appendix One.

[6] The Economist Intelligence Unit first quarter 1998, Country Profile on Bermuda.

[7] *The Royal Gazette*, 4 and 12 November 1999.

[8] Bermuda 1999 Economic Review, February 2000.

[9] Budget statement 2000-2001, Minister of Finance, 18 February 2000.

[10] The Economist Intelligence Unit, Country Profile on Bermuda, 27 March 2000.

[11] Ibid., 9 April 2000.

[12] *The New York Times*, 28 April 1999.

[13] Economic Review 1999, Government of Bermuda, Ministry of Finance.

[14] The Economist Intelligence Unit first quarter 1999, Country Profile on Bermuda.

[15] Ibid., May 2000.

[16] Economic Review 2000, Government of Bermuda, Ministry of Finance.

[17] *The Royal Gazette*, 5 April 2000, 26 March 2000.

[18] The Economist Intelligence Unit, Country Profile on Bermuda, 28 December 1999.

[19] Ibid., 10 May 2000.

[20] Bermuda 1999 Economic Review, Government of Bermuda, Ministry of Finance, February 2000.

[21] *Bermuda Sun*, 6 April 2000.

[22] *The Royal Gazette*, 2 September 1999.

[23] Ibid., 11 January 2000.

[24] Comtex Scientific Corporation, 23 November 1999, Newsedge.

[25] *The Royal Gazette*, 16 December 1999.

[26] Ibid., 5 May 1998.

[27] United Kingdom, web site: www.fco.gov.uk.

[28] *The Royal Gazette*, 30 September 1998.

[29] Reuters, 17 March 1999.

[30] *The Royal Gazette*, 18 March 1999.

[31] The Economist Intelligence Unit, Country Profile on Bermuda, 10 May 2000.

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Cayman Islands

Working paper prepared by the Secretariat

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I. General

1. The Territory of the Cayman Islands[1] is located some 180 miles west of Jamaica and about the same distance south of Cuba. It comprises three islands: Grand Cayman (76 square miles), Cayman Brac — some 90 miles to the northeast — (15 square miles), and the adjacent and largely undeveloped Little Cayman (11 square miles). In 1997 the population was estimated at 36,600, compared with 25,355 in 1989 (the year of the last census for which statistics are available) representing an annual average increase of about 5 per cent. The results of the October 1999 census are not yet available.

2. Currently, native-born Caymanians comprise about 58 per cent of the population, an estimated 25 per cent are of African descent, 20 per cent are of European descent and the remainder are mixed. Overall, the cosmopolitan nature of the population is well illustrated by the fact that some 120 different countries of birth outside the Cayman Islands were recorded in the census of 1989. Approximately 95 per cent of the population live on Grand Cayman, which is the site of the capital city of George Town.

II. Constitutional and political developments

3. According to information provided by the administering Power, the present Constitution came into effect on 22 August 1972, and provides for the Government of the Cayman Islands as a colony under the sovereignty of the United Kingdom of Great Britain and Northern Ireland. A motion was passed by the islands' legislature in 1990 to review the Constitution. The amendments proposed as a result of the review came into effect in 1994. They included the adoption of a ministerial system of government and the addition of a fifth elected member to the Executive Council. In 1992, elected membership in the Legislative Assembly was increased from 12 to 15. This change was also in line with the results of the constitutional review. Elections for the Legislative Assembly were held on 17 May 1999.

4. In brief, under the revised Constitution of 1994, the Governor, who is appointed by the British monarch, is responsible for external affairs, defence, internal security and public service. The Governor is the Chairman of the Executive Council, which comprises three members appointed by the Governor and five members elected by the Legislative Assembly. Constitutionally, the Executive Council is responsible for the administration of government. The Legislative Assembly comprises 3 official members designated in the Constitution and 15 members elected by universal adult suffrage for a period of four years. Since 1991, a Speaker is elected to preside over the Assembly.

5. The judicial system is based on British common law, certain British statutes and local statute law. The administering Power states that the independence of the judiciary is an integral component of the economic, social and political stability in the Cayman Islands. There are three levels of courts in the Cayman Islands: the Summary Court, the Grand Court and the Cayman Islands Court of Appeal. Appeals from the Summary Court are heard by the Grand Court and appeals against Grand Court decisions go before the Cayman Islands Court of Appeal. The final right of appeal from a Grand Court decision is to the Privy Council in London, which does not deliver a decision, but advises the Secretary of State about the merits or otherwise of individual appeals. Unlike many other British Territories, lawyers in the Cayman Islands may both interview clients and appear on their behalf before the Grand Court (attorneys practice as both solicitor and barrister).

6. Elections in the past have been contested between independents and loose alliances known as teams. Politics have been run on a basis of consensus. The party system is of recent development.

7. In 1991, the Progressive Democratic Party (PDP) was formed, followed by the National Team one year later. In February 1995, an independent member of the Legislative Assembly, Gilbert McLean, founded Team Cayman in opposition to the ruling National Team. The National Team retained its majority in the Legislative Assembly at the 1996 general election but its representation was reduced from 11 seats to 9.[2]

8. In March 1999, a proposal entitled "Partnership for progress and prosperity: Britain and the Overseas Territories" was presented by the Parliament of the administering Power, the United Kingdom, as a White Paper. The objective of this proposal was to modernize the relationship between the administering Power and its Overseas Territories.[3] The main recommendations

of the White Paper reiterated by the administering Power, are outlined in paragraph 76 below.

9. Key developments in the Territory during 1999 included the following:

(a) The establishment by the Legislative Assembly of a Select Committee to review the aforementioned White Paper, receive input from the public, and formulate an official response on behalf of the Government of the Cayman Islands;

(b) The completion, and presentation to the Legislative Assembly of a national strategic plan and a vision statement reflecting national development priorities over the next decade;

(c) The appointment of Judith Dilbert as the new Representative of the Cayman Islands to the United Kingdom, with effect from August 2000;

(d) The design, development and implementation of a new system of financial management tools and methods of accountability for the Cayman Islands Government;

(e) The introduction, starting in 1998, of a new family of banknotes — the "C/1" series. These notes were the first to be released under the name of the Cayman Islands Monetary Authority, and reflect the change in law under which banknotes are issued. The authority also issued a 2 Cayman Islands dollars (CI$) coin commemorating its establishment.

III. Economic conditions

A. General

10. The Cayman Islands have one of the highest standards of living in the Caribbean, with a per capita gross domestic product (GDP) of US$ 30,120 in 1998. The economy is based on tourism and on the Cayman Islands' status since 1966 as an international offshore finance centre. The principal sources of government revenue are import duties, company, bank and trust licence fees and stamp duties. There is no income tax, company tax or excise duty. Although imports outstrip exports by about 100:1, the visible trade gap is more than offset by invisible earnings from the tourism and financial services sectors.

11. Regarding public finance, the Government's preliminary unaudited revenue for 1998 was CI$ 274 million, which included recurrent revenue of CI$ 248.1 million and a loan income of CI$ 26.4 million. Preliminary government expenditure in the same period was CI$ 260.7 million, including CI$ 1.23 million transferred to the general and housing reserve funds. There was a surplus of CI$ 2.3 million brought forward from 1997, providing an overall surplus of CI$ 9 million as at 31 December 1998. The general reserve balance was CI$ 10.5 million at the end of 1998. Public debts, including self-financing loans serviced from statutory authorities, was CI$ 89.2 million as at 1 January 1998. New loans drawn down and repayments made during the year resulted in a balance of CI$ 93.7 million at the end of the year.[4]

12. Import duty collection, the number one source of government revenue, rose to CI$ 94.74 million in 1998, topping the previous year's record by some CI$ 11 million, a 12 per cent increase.[4]

B. Tourism

13. The tourism sector dominates the Caymanian economy, accounting for about 70 per cent of the gross domestic product and 75 per cent of foreign currency earnings. The Government's Department of Tourism is charged with supporting the local industry and planning its development. The department markets the island overseas through publicity campaigns and the maintenance of offices in several foreign countries. It also undertakes training programmes for the industry, and carries out licensing and regulatory functions. The Department of Tourism has continued its efforts to diversify and attract new markets, launching aggressive marketing campaigns in the United Kingdom and the United States and opening an office for South America based in Argentina in October 1998.

14. A sustained seven-year growth trend in air travel and the cruise industry reflects the popularity of the Cayman Islands as a holiday destination. The resorts maintain an up-market image and offer luxury accommodation. Hotel occupancy is high, especially along Grand Cayman's Seven-Mile Beach.

15. The number of stopover visitors have continued to climb throughout the 1990s (after a slight contraction in 1991), reaching 404,205 stopover visitors in 1998, a 6 per cent increase over 1997. Cruise-ship passenger numbers increased from 1994 to 1997, to reach 866,609; in 1998 the number fell by 1.6

per cent to 852,507. United States nationals account for more than 70 per cent of total visitors, but the number of Caribbean and Canadian visitors is increasing. Repeat visitors represent 40 per cent of arrivals.[2]

16. Although there was an increase in arrivals from the United States in 1999, there was a comparative decrease in non-resident (stay-over) air arrivals in 1998. According to the Minister of Tourism of the Cayman Islands, part of this decline was attributed to the loss of 600 rooms with the closure of the Holiday Inn and Grand Pavilion hotels. It is expected however, that these losses will be offset by new hotel and condominium projects due to open soon on the Islands.[5]

C. Financial services

17. The Cayman Islands remains among the top international financial centres, with 45 of the world's top 50 banks holding licences there. Overseeing this thriving industry is the Monetary Authority established in 1997. The authority is responsible for the supervision of banks and trust companies, and the administration of the Cayman Islands currency.

18. During 1998, with the arrival of 24 new licensees, the number of banks with a physical presence in the Islands increased. Active bank and trust licences totalled 587 at the end of 1998, down from 594 at the end of 1997. The reduction was due largely to a spate of mergers and acquisition in the global financial market. The number of "A" banks remains at 30, with seven of these active in the retail market.[6] At the end of 1998, there were also 475 captive insurance companies, 1,978 licensed or registered mutual funds and 41,173 registered companies.[7]

19. The Insurance Division is responsible for the supervision of all insurance companies, both those that operate locally and the "exempt" companies that only operate overseas (in this instance, the distinction "exempt" refers to insurance companies which only accept and deal in overseas risks). Among exempt companies, 1998 was a record year with the issuance of 485 licences as well as 16 cancellations. Some 82 per cent of all captives emanate from the United States. The next most important geographical source is the Caribbean and Latin America, with 10 per cent, followed by Europe with 6 per cent. Two new licences were granted to companies to operate in the Islands during 1998, bringing the number of licences in force to 31.

20. The Insurance Division performed the first in a series of on-site inspections of 1998. The existing legislation provides the Monetary Authority with the power to take action against registrants or non-registrants. In 1998, the Liabilities Support Law (1997) came into force. The law ensures that all domestic insurance companies maintain sufficient assets in the Cayman Islands to match their technical liabilities.

21. All major registers at the General Registry recorded increased activity during 1999. The Companies Registry led the way with record new registrations of 8,501 and a year-end total of 45,169. It was also a record-breaking year for revenue, with collections at CI$ 22.13 million.

22. The Cayman Islands Stock Exchange celebrated its first anniversary in July 1998, with over 100 listings, and continues to grow. The total market capitalization of all listed companies at 31 January 1999 was in excess of US$ 11 billion.[4]

23. The Organisation of Economic Cooperation and Development (OECD) is pressurizing offshore centres, including the Cayman Islands, to increase the transparency of its financial system and to support efforts to reduce tax evasion. The Cayman Islands has begun a dialogue with OECD on these matters, and is looking at how best to extend the mutual legal assistance treaty, to which the United Kingdom is a party, to the United States. At present, the treaty does not cover tax crimes. If the mutual assistance treaty were extended, it would allow Cayman Islands courts to work with the United Kingdom and the United States in legal actions against individuals and criminals suspected of tax evasion.[8]

24. A draft code of practice intended to give practical guidance to financial services providers on the prevention and detection of money-laundering offences was issued in May 1999. The code provides for policies which should be adopted by those involved in relevant financial transactions in order to maintain the integrity of the Cayman Islands financial sector with respect to money-laundering.[9]

25. As a demonstration of its continuing commitment to promoting and implementing a well-regulated financial services sector for quality investors, the Government of the Cayman Islands jointly hosted, with

the United Nations Office of Drug Control and Crime Prevention, a two-day United Nations offshore forum in March 2000. The forum was an anti-money laundering initiative to obtain global commitment to internationally accepted standards of anti-money laundering measures as they applied to cross-border financial services. Financial regulators from the Caribbean, Africa and the South Pacific agreed to a series of principles and minimum standards designed to prevent criminals access to financial markets. Delegates agreed that all financial services centres should be invited to enter — as soon as possible and no later than 30 September 2000 — into a formal governmental commitment to the United Nations offshore forum's proposed minimum standards.[10]

D. Agriculture, livestock and fisheries

26. Agricultural activities, limited by infertile soil, low rainfall and high labour costs, have nearly doubled over the past five/six years with 10 large farms totalling over 100 acres now in service. Agricultural products include bananas, tomatoes, lettuce, honey, mangoes, citrus fruits, various vegetables and coconuts. Livestock rearing consists of beef cattle, poultry and pigs. Responsibility for regulating and developing the agriculture sector rests with the Cayman Islands Department of Agriculture. The Department provides advisory and technical services in crop and livestock husbandry, carries out extensive activities, conducts and monitors the practice of veterinary medicine and sells agricultural equipment and supplies. The Department also participates on the board of the Cayman Islands Farmers' Cooperative Society Limited, assisting it with strategic and operational matters.

27. The Farmers' Market, which is operated by the Cayman Islands Cooperative Society, achieved only minor growth in total revenue, from CI$ 1,676,947 in 1997 to CI$ 1,689,011 in 1998. This relatively low growth performance was attributed to the markets' growing indebtedness, chronic lack of working capital and an ageing physical plant. During 1998, the market recorded a 4 per cent increase in its wholesale business.[6]

E. Shipping registry

28. The year 1998 saw a record 225 shipping registrations in the 12-month period. In commercial shipping, tonnage growth set another record of 38 per cent. Yacht registrations continued well in 1998, maintaining the Cayman Islands position as the world's leading offshore registry for "superyachts".

F. Manufacturing

29. There is some light industry, encouraged by incentive legislation that has been in force since 1950. Products include building materials, jewellery, printing, furniture and chemical processing. Approved manufacturing ventures are exempt from import duties.

IV. Social conditions

A. General

30. According to the administering Power, the aim and effect of legislation and action by the Government in the social sphere is to create a society in which individual effort is rewarded while a cushion is provided, often with voluntary help, for the less fortunate.

B. Social services

31. The Government provides assistance to the elderly and disabled, children and young people, persons with mental illness and learning disabilities, and families in financial need. Major services include residential and day care, home help for those confined at home, other social services for Cayman's youth and women, and drug prevention and rehabilitation programmes. Children's services carried out by the Department of Social Services include adoptions, foster care and the operation of several children's homes.

32. Numerous voluntary and service groups provide assistance to address many social concerns. Many of them are dedicated to specific causes, such as drug prevention and rehabilitation, cancer and the prevention of cruelty to animals. These groups are supported mainly by donations from the Government,

the private sector and individuals, and are generally staffed by volunteers.[6]

33. Following the recommendation of the Ministry for Social Welfare, government monetary assistance to the elderly and disabled will increase from $250 to $400 per month from the year 2000. Assistance is paid to Caymanians who are 60 years and older and who have little or no income, to the disabled and to the handicapped.[11]

C. Human rights

34. The Territory is subject to several major human rights conventions that were acceded to by the administering Power. These include the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child and the Second Optional Protocol to the International Covenant on Civil and Political Rights (aiming at the abolition of the death penalty).

35. The administering Power identified, through its above-mentioned White Paper, several human rights issues concerning which it would like to see reforms, in particular, homosexuality and capital punishment.

36. The administering Power seeks the enactment of legislation similar to the United Kingdom Sexual Offences Act 1967, which legalized homosexual acts between consenting adults in private. According to press accounts, however, the territorial Government would oppose local legislation to legalize homosexuality on the basis of the religious beliefs of a majority of Caymanians that homosexuality should not be legalized.[11]

37. The White Paper also notes that the administering Power expects all Overseas Territories to remove capital punishment for treason and piracy from their statute books. The Government of the Cayman Islands response is that capital punishment for treason and piracy is derived from English common law and are not crimes that there have ever been any prosecutions for. Thus, the abolition of the death penalty and substitution of life imprisonment for treason and piracy will have no effect in practice.[12]

38. The Territory, otherwise, has a wide array of laws and institutions to protect certain human and social rights. Some of these are described below.

Gender and Women's issues

39. According to the administering Power, under the Health Services (Fees) Regulations of 1975, contraceptive services are provided free of charge, in addition to free antenatal service, which is already being provided to all residents irrespective of nationality.

40. The Labour Law provides for 12 weeks of mandatory maternity leave in a year, after 12 months of service, of which four weeks will be paid leave. The leave entitlement is on a pro rata basis for workers with less than 12 months of service. The General Orders (which regulate terms and conditions of employment in the civil service) have been amended to provide for 12 weeks of maternity leave to women in the civil service who have completed 12 months of service.

Protection of children and young persons

41. The Youth Justice Law of 1995 is considered the main instrument in this area. In addition, other relevant laws are the Adoption of Children Law (Revised); the Education Law of 1993 and the 1971 regulations; the Guardianship and Custody of Children Law (Revised); the Juveniles (Joint Trials with Adults) Law; and the Legitimation Law (Revised).

42. Measures to protect children and young persons from exploitation are provided by the Juvenile Law. The National Council for Social Services, a voluntary body subsidized by the Government, runs a number of pre-school facilities and gives support in various ways to the children of broken homes. The Youth Justice Law places restrictions on the employment of children. The school-leaving age is 15 years and 9 months.

Food and clothing

43. The administering Power stated that the Government of the Territory had also seen no need to legislate on the right to adequate food, preferring the practical course of extending the already wide range of basic foodstuffs exempt from the import duty tariff, which provides much of its revenue. The list of duty-free imports now includes milk, rice, raw sugar, wheat flour, potatoes, all poultry, salt beef, salt fish, cheese, coffee and cornmeal. Further, the knowledge of the

principles of nutrition is disseminated through social education in schools, by public health nurses in government health centres and through articles in the local press. Educational programmes on nutrition are organized through the hospital nutritionist.

44. The distribution of clean used clothing to needy families is undertaken by voluntary bodies such as service clubs. The Department of Social Services provides free school uniforms and other clothing to children in foster care or in children's homes, as well as to other children whose families are financially unable to provide adequate clothing for them.

D. Housing and construction

45. The Housing Development Corporation Law of 1981 provides for the promotion of housing development by extending mortgage loans to residents in the low- to middle-income bracket. In 1997 the Housing Corporation continued to concentrate its efforts on the retirement of its 5 and 7.5 per cent fixed interest bonds. By the end of the year 99 per cent of the bonds had been redeemed. Preliminary discussions were held with the Caribbean Development Bank on the possibility of obtaining a line of credit for a special mortgage programme for lower income Caymanians.

46. The Government guarantees home mortgages for low- to middle-income housing. Under the Home Mortgage Scheme, local banks provide up to 100 per cent financing on the strength of a 35 per cent government guarantee. Applicants must be Caymanians with incomes lower than US$ 60,000 per year.

47. There is a building code, which includes provisions to meet earthquake and hurricane hazards and other public safety concerns. An electrical code and plumbing policies have been established, including licensing and inspectorate provisions.

48. The residential sector continued to play a major part in the construction industry in 1998, with a combined total of 591 projects, valued at over $178 million or 67 per cent of the total value of approved developments. In the commercial sector, there were 70 projects valued at approximately $38.9 million; the industrial sector had nine projects valued at $6 million; the Government sector had seven projects valued at $3.6 million.[13]

E. Labour

49. The Department of Human Resources is charged with administering the Labour Law. The Law governs the terms and conditions of employment in the Territory. In carrying out that function the Department, *inter alia*, provides remedies for resolution of unfair dismissal and other labour-related disputes; outlines procedures for employers to discipline employees who are guilty of misconduct; provides for the health, safety and welfare of employees; and facilitates the employment of Caymanians. In 1997, the Department handled approximately 250 complaints.

50. A local trade union, the National Alliance of Cayman Islands Employees (NACE) was formally launched in 1999. It is believed to be the third such local organization since the passage of the Trade Union Law in 1942.[14]

51. There is little or no unemployment in the Cayman Islands, which had an unemployment rate of 4.2 per cent in 1997.[7] The demand for foreign labour continued in 1998, and 12,885 work permits were issued for both skilled and unskilled workers.[6]

F. Infrastructure

52. The Territory's development as an international business centre has been facilitated by modern and reliable telecommunications and utility services. The multinational company Cable and Wireless holds an exclusive license for provision of telecommunication through its local Cable and Wireless (Cayman Islands) Ltd.

53. International air services are provided between Grand Cayman and the United States, Europe and Jamaica, Honduras and Cuba. Major United States and British airlines operate regularly to and from the Caymans. Domestic airline services and charters operate between the sister islands of the Caymans.

54. The port of George Town, Grand Cayman, was the main gateway for the 869,441 cruise-ship visitors who visited the island during 1998. The Cayman Islands are served by scheduled passenger liners, and a number of locally owned or registered vessels provide cargo services between Miami, Tampa and Jamaica. A proposed $12.2 million expansion of the dock facility and surrounding area will enable the Port Authority to handle the ever-increasing volumes of cargo.

55. The Public Works Department is responsible for maintaining public and government infrastructure in the three islands. In recent years, it has either undertaken or managed construction projects ranging from the George Town Health Services complex, the Owen Roberts Airport expansion programme, the Harquail by-pass and the visitors' centre at Pedro Castle to new school buildings.

56. The Caribbean Utilities Company, a local corporation, is responsible for the generation and distribution of electricity, under government franchise, on Grand Cayman, while the Cayman Brac Power Company provides the service to the Sister Islands. The government-owned company, Water Authority Cayman, and the private Cayman Water Company provide water and sewage services, which complement residents' private wells and cisterns.[6]

G. Education

57. As a result of the 1983 Education Law, education is compulsory for all resident children between the age of 4 years 9 months and 16 years. The Government is directly responsible for education within this age group, although it encourages and supports pre-school and tertiary education as well. The education sector is overseen by the Ministry of Education, Aviation and Planning. Within the Ministry is an Education Council responsible for promoting education and developing schools within the Education Law. The duties of the Council include providing for public education, determining the conduct of examinations, licensing teachers, and providing funds for students who wish to pursue higher education. The system and curriculum are similar to the British ones, although the Caymanian system has added some flexibility to allow students to successfully enter American colleges as well as British ones. Two public institutions and one private school provide tertiary education. The Community College of the Cayman Islands is government-owned but independently administered. The Cayman Islands Law School is also government-owned, while the College of the Cayman Islands is private. In 1999, the Education Council awarded 40 scholarships to students for overseas study.

58. The Government currently operates seven primary schools, one middle school and one alternative education centre on Grand Cayman, as well as three primary schools and a high school, which incorporates the middle-school level, on Cayman Brac. Tuition is free for Caymanians at those schools. In addition, 10 private schools provide primary and/or secondary education. All private schools are monitored by the Education Department. In 1999, total enrolment was 4,000 in government schools and 2,093 in private schools. This has set a new record. The largest growth was in the primary school in areas of high population growth, such as George Town, Red Bay and Savannah. About CI$ 50 million is to be spent by the Government on new school buildings in the next three years.[15]

59. The Schools Inspectorate, an independent division of the Ministry of Education, Aviation and Planning, completed its first full year of school inspections in 1998. Five schools were trained to carry out self-assessments and three of those schools were subsequently inspected.

H. Public health

60. The Ministry of Health, Social Welfare, Drug Abuse Prevention and Rehabilitation, through the Health Services Department and Cayman Islands Counselling Centre, administers health care in the Cayman Islands. The Health Practitioners Board has responsibility for the registration of private practitioners. In addition to general medical care, a wide range of specialist services is available locally. The Health Services Department is responsible for the provision of all government health care, including public health services. The department operates two hospitals, a public health unit, four district health centres, a dental clinic (including school dental service) and the Lions Eye Clinic. The Government has a contractual arrangement with the Baptist Hospital in Miami for tertiary care services.

61. The Public Health Service, which functions under the responsibility of the Ministry of Health, Social Welfare, Drug Abuse Prevention and Rehabilitation, is responsible for primary health services dispensed at district health centres and through various community health programmes. In addition to the community health nursing staff, the team of public health officers includes three district medical officers, a health promotion officer, a genetics counsellor, a nutritionist and a dietician. Public health services include:

(a) Health advice and necessary vaccines to international travellers;

(b) Antenatal, post-natal and family planning services (available free of charge to all residents);

(c) Haemoglobin electrophoresis testing for sickle cell disease for all newborns (initiated in 1997);

(d) Health assessments, including vision and hearing tests for children entering school;

(e) Full immunization of children;

(f) Counselling clinics for nutrition and diet.

It cost the Government $35 million to run the Health Services Department in 1999, and estimated costs for 2000 are $40 million.[16]

62. According to information provided by the administering Power, life expectancy at birth is 77 years in the Territory. The major causes of death were diseases of the circulatory system and malignant neoplasms.

63. The Health Services Department opened a new hospital in George Town in April 1999. The hospital, which cost just under US$ 30 million, was the largest ever undertaken by the Government of the Cayman Islands. The facility includes a state-of-the-art, fully staffed Accident and Emergency Room.[12] Otherwise, there is a 59-bed hospital in George Town and an 18-bed hospital on Cayman Brac, and several district health centres and clinics. In 1999, there were 39 doctors in government service, including 3 based on Cayman Brac. There were, in addition, four dentists in government service. Specialist services are available in surgery, gynaecology and obstetrics, paediatrics, internal medicine, anaesthesiology, public health, orthopaedics, ophthalmology, ear, nose and throat, and periodontology. There were another 37 doctors in full-time private practice, providing family health or specialized medical care on a regular basis.

64. According to press reports, 26,000 people in the Territory are covered by health insurance. Of those, about 10,000 are covered by the Government itself. As a result, most residents have at least minimal health care coverage. A health insurance law passed in 1997 established a system of compulsory health insurance for all residents.

65. The incidence of communicable disease is generally low. The prevalence of sexually transmitted diseases, however, is a concern of the local Government. According to information provided by the administering Power, at the end of 1998, 19 persons had died from acquired immunodeficiency syndrome (AIDS), six were fighting the disease and 18 were infected.

66. Immunization coverage exceeds World Health Organization targets. Immunization rates were as follows: poliomyelitis, 93 per cent; diphtheria/whooping cough/tetanus, 93 per cent; haemophilius influenzae B, 93 per cent; measles/mumps/rubella, 94 per cent; and BCG/tuberculosis, 91 per cent.

67. In 1997, a national drug council law was passed, establishing the National Drug Council (NDC) as an independent, non-profit statutory corporation with the mission of coordinating anti-drug efforts in the Territory. The Council was given the authority to develop policies and programmes to directly reduce the supply and demand of drugs. It is responsible for coordinating the implementation of the Cayman Islands National Strategic Plan for Drug Abuse Prevention and Rehabilitation. It is also charged with looking at ways to curb substance abuse through law enforcement, treatment and rehabilitation, education, public information and community support programmes.

68. An NDC national survey published at the end of 1998 had found that 11.5 per cent students had used solvents, 10.5 per cent had used "ganja". The newly appointed drug coordinator noted in September 1999 that Cayman now had a serious substance misuse problem and the NDC would endorse a strategy that called on the family, the community, the social services, to work in concert and establish a national strategy to address this issue.

I. Crime and public safety

69. The Royal Cayman Island Police force comprises some 250 officers. It has a shortfall of Caymanian recruits and has officers seconded by the United Kingdom. Officers recruited are from Jamaica, Belize, Barbados, Canada, Nicaragua, Trinidad, Honduras, Bahamas, Nigeria and the United States.

70. According to press reports based on the annual report of the Royal Cayman Islands Police Service (RCIP), overall crime in the Cayman Islands dropped by 4.5 per cent in 1998 compared with the previous year. While offences against the public order, the person and property declined, there was an increase of 23.2 per cent in drug-related crimes.

V. Environment and natural resources

71. The Cayman Islands' natural environment is still relatively healthy, although the tremendous rate of economic growth and accompanying physical developments are beginning to place considerable pressure on the delicate island ecosystems. Local laws and regulations and administrative and institutional arrangements which enable the protection and conservation of the natural environment are in place, and efforts are currently under way to strengthen and enhance local legislation. Through the Government of the United Kingdom, the Cayman Islands is party also to a number of legally binding international conservation agreements.[6]

72. The Islands have 25 endemic species of plants and reptiles. On Grand Cayman, a botanical park and bird sanctuary provide safe environments for endangered species of birds and lizards. Little Cayman is host to a wide variety of flora, fauna and birdlife. It also has its own bird sanctuary. Over 200 species of birds have been identified on the Islands. Over the years, the Government of the Cayman Islands has employed a variety of conservation strategies, including establishing a system of marine parks and protected areas on land and the development of public education and integrated species conservation. The Department of Environment and the National Trust, which play key roles in the implementation of these programmes, also carry out research and monitoring programmes to support the development of natural environmental policies and new conservation and protection initiatives. Growing public awareness and the development of expertise among government and non-governmental organizations have also contributed to placing local environmental concerns on the national agenda.[7]

73. A new marine pollution law has been drafted to encompass a range of developing legislation covering pollution of the air, sea and coast, pollution by oil, chemicals, garbage, dumping of waste, gas emission and funds for limitation of liability. This new law will also impact the Port Authority and Department of Environment (with regard to spill response, reception facilities, monitoring prosecution etc.). The Cayman Islands will also be the first Overseas Territory to which the Protocol on Specially Protected Areas and Wildlife will be extended.

74. The Cayman Islands have set a world standard in marine conservation. The Cayman Islands Turtle Farm serves as a breeding ground for the green turtle. After being bred and hatched on the farm, they are released into the ocean. This has led to an increase in the previously diminishing sea turtle population.[7]

75. Environmental health is also an important area of concern to the Government of the Cayman Islands. The Environmental Health Department carries out its functions through sanitation inspections, solid waste management, recycling programmes and educational and promotional activities. It pursues programmes for mosquito control, including monitoring, larval inspection, wide-ranging techniques and research into the latest control methods.[6]

VI. Future political status of the Territory: position of the administering Power

76. In March 1999, the Government of the United Kingdom presented to Parliament a White Paper entitled "Partnership for Progress and Prosperity: Britain and the Overseas Territories". Speaking in her capacity as Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs, Baroness Scotland, on 3 April 2000, reiterated the key recommendations of the Paper as follows:[17]

(a) A redefinition of the relationship between the administering Power and its overseas territories to promote self determination, responsibilities for both partners, the exercise of democratic practices in the territories to allow the people of the territories the greatest degree of control over their own lives, and the continuance of British help to those overseas territories that need it;

(b) A priority for action in human rights. Those territories that choose to remain British must abide by the same standards of human rights and good governance as demanded of itself by the British Government, while local legislation must reflect the European Convention on Human Rights and the international convention on civil and political rights;

(c) A commitment to nurture and ensure the benefits from having a financial sector and the responsibility and obligation to ensure that the sector is properly regulated, adhering to all international

standards of regulation and best practice. As a follow-up to this recommendation, Baroness Scotland made special note of a major consultancy study to review the existing state of financial regulation and organization in the territories set up and jointly funded by the administering Power and the Governments of the five Caribbean Overseas Territories and Bermuda;

(d) Finally, the need for constitutions to be updated to reflect current needs and, as far as possible, lay foundations that will endure for some years ahead. Emphasizing that there must be full consideration and consultation across political parties and the community as a whole, as well as with the administering Power, Baroness Scotland stated that "We stand ready to consider ideas that have been fully discussed locally, that command wide local support and are appropriate, realistic and compatible with our international obligations and consistent with good government."

Notes

[1] The working paper is based on information provided by the administering Power under Article 73 *e* of the Charter of the United Nations, as well as from published sources.

[2] Economist Intelligence Unit, *Country Profile: Cayman Islands* (2000).

[3] For the text of the White Paper, see A/AC.109/1991/1, annex.

[4] *Cayman Islands Annual Report and Official Handbook, 1999*.

[5] *The Caymanian Compass*, 15 October 1999.

[6] 1998 annual report: Cayman Islands.

[7] British Overseas Territories White Paper, appendix I.

[8] Statement by George McCarthy, Financial Secretary of the Cayman Islands, reported in Economist Intelligence Unit views wire, 3 February 2000.

[9] *The Caymanian Compass*, 30 July 1999.

[10] Press release, ODCCP, 31 March 1999, and Reuters, 31 March 2000.

[11] *The Caymanian Compass*, 9 August 1999.

[12] *Ibid.*, 1 April 1999.

[13] *Ibid.*, 14 August 1999.

[14] *Ibid.*, 25 October 1999.

[15] *Ibid.*, 30 October 1999 and 28 September 1999.

[16] *Ibid.*, 18 October 1999.

[17] Speech given at a conference on the theme "Overseas territories: into the new millennium" held at Wilton Park, United Kingdom, on 3 April 2000.

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Anguilla

Working paper prepared by the Secretariat

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I. General

1. Anguilla[1] lies 240 kilometres (km) east of Puerto Rico, 113 km north-west of Saint Kitts and Nevis and 8 km north of St. Maarten/Saint Martin. The Territory has a relatively flat topography, a total landmass of 96 km^2 and includes several offshore islets. The main island has a maximum length of 26 km and a maximum width of 5 km. The capital of Anguilla is The Valley, where 42 per cent of the population reside.

2. At the last census conducted in 1984, the population of Anguilla stood at 6,987 (*United Nations Population and Vital Statistics Report*, Statistical Papers, Series A, vol. LII, No. 1 (1 January 2000)). However, according to information received from the administering Power, the current population of Anguilla is approximately 11,915.[2]

II. Constitutional and political developments

A. History

3. Originally inhabited by the Arawaks, Anguilla was first colonized by British settlers in 1650. For administrative purposes, it was associated with Saint Kitts and Nevis from 1871 to 1980. Following the dissolution of the Federation of the West Indies in 1962, Saint Kitts-Nevis-Anguilla became a State in association with the United Kingdom. In 1967, the Anguillan people staged a number of demonstrations in demand for secession from Saint Kitts and Nevis. The events following those demonstrations and protracted negotiations between the two parties led to the intervention of the British security forces in 1969 and the enactment of the Anguilla Act of 1971, whereby the United Kingdom reassumed direct responsibility for the administration of the island, appointed a Commissioner and provided for an island council. A separate Constitution came into effect in February 1976. In1980, the Territory formally withdrew from the Associated State of Saint Kitts-Nevis-Anguilla and became a separate dependency (now Overseas Territory) of the United Kingdom.

B. Constitution

4. In 1981, further constitutional talks between the Governments of Anguilla and the United Kingdom were held. The Chief Minister of Anguilla recommended that a new constitution, while not providing for a full-measure of internal self-government, should nevertheless grant a substantial degree of additional local responsibility to the Government of Anguilla. The House of Assembly of Anguilla approved the changes and the United Kingdom enabled the Anguilla (Constitution) Order to come into force on 1 April 1982. An outline of this Order is provided in the report of the United Nations Visiting Mission to Anguilla of 1984 (see A/AC.109/799, paras. 19 to 27).

5. In brief, based on the Anguilla (Constitution) Order 1982, the Government of Anguilla consists of a Governor, an Executive Council and a House of Assembly. The Governor, who is appointed by the Queen, is responsible for defence, external affairs, internal security, public services and offshore finance. On all other matters, the Governor is required to consult with and act on the advice of the Executive Council. The Executive Council consists of the Governor as Chairman, the Chief Minister, not more than three other ministers and two ex officio members (the Attorney General and the Deputy Governor). The House of Assembly is elected for five-year terms. It comprises a Speaker, seven members elected from single member constituencies, the same two ex officio members as in the Executive Council, and two members nominated by the Governor, one of whom is appointed after consultation with the Chief Minister and the leader of the opposition.

6. The law of Anguilla is the common law of the United Kingdom, together with all legislation inherited from the former Associated State of Saint Kitts-Nevis-Anguilla up to August 1971 and the local legislation enacted since that date. The law is administered by the Eastern Caribbean Supreme Court, which comprises a Court of Appeal and a High Court of Justice, courts of summary jurisdiction and magistrate courts. The Chief Justice of the Organization of Eastern Caribbean States (OECS) Supreme Court has announced the introduction of new initiatives to improve the functioning of the courts in the subregion, which includes Anguilla. These initiatives include the revision of the Supreme Court rules, case management, the need for court reporting

throughout the subregion, computerization, unification of the Family Court, and the need for judicial reform and judicial education.[3] According to press reports, the Anguilla Bar Association agrees in principle with the pursuit of a Caribbean Court of Justice to replace the British Privy Council as the legal redress of last resort but it does have reservations about full implementation.[4]

7. In March 1999, the Government of the United Kingdom issued a White Paper on the relationship between the United Kingdom and its Overseas Territories, entitled "Partnership for progress and prosperity: Britain and the Overseas Territories" (for the text, see A/AC.109/1999/1, annex; for key recommendations, see para. 56 below).

C. Political parties and elections

8. Elections were held in March 1999 resulting in the re-election of a coalition Government headed by the Anguilla United Movement (AUM) and the Anguilla Democratic Party (ADP). Other political parties active on the island were the Anguilla National Alliance (ANA) and the Anguillans for Good Government. The next election was due to take place in 2004. However, during the second half of 1999, the Government reached a constitutional deadlock after the resignation of the Minister of Finance led to a boycott of the Parliamentary sessions by members of the ADP opposition. Faced with this situation, Chief Minister Hubert Hughes of AUM asked the Governor, Robert Harris, to dissolve Parliament to make way for new elections in March 2000. For the 3 March 2000 ballot, there were 18 contenders for the seven seats, with 7,500 Anguillans eligible to vote. Voter participation was reported at 46 per cent.[5] All seven of the individuals who made up the previous Government won back their seats, thus indicating a change in alignment on the part of the voters. A new coalition named the United Front, composed of three members of ANA and one of ADP won a four-seat majority in the seven-seat legislature. AUM, the party of the outgoing Chief Minister Hubert Hughes, took two seats and an independent candidate took the other. The new United Front coalition Government is led by Chief Minister Osbourne Fleming of ANA. The other members of the coalition are Victor Banks (ADP), Minister of Finance; Eric Reid (ANA), Minister of Education, Health and Social Development; and Kenneth Harrigan (ANA), Minister of Infrastructure.

9. The United Front has declared its aims to be restoration of democracy, good governance, peace, political stability and economic prosperity for the period 2000 to 2005 and beyond. The next national elections are due in March 2005.

D. Civil service

10. With funding from the administering Power, the territorial Government undertook a review and redesign of the public sector from 1996 to 1999. To date, the Public Sector Development Project has accomplished the following:

(a) A job evaluation, rating and grading exercise was completed, leading to increases in salaries;

(b) A performance management system developed and implemented in January 1999;

(c) An organization rationalization exercise was completed and a report and recommendations submitted;

(d) A strategic model of the public service was undertaken and the use of the strategic modelling methodology was effected by the public service;

(e) Functional and efficiency reviews and recommendations for corporatization, outsourcing and privatization of non-core functions of ministries and departments were or will be undertaken.

11. According to the 1999 budget presentation, expenditures by the central Government contributed approximately 13.8 per cent of Anguilla's gross domestic product (GDP) in 1998, a decrease from 14.42 per cent in 1997.

III. Economic conditions

A. General

12. The trend over the past 10 years has been for Anguilla's economy to grow every year (with the exception of 1995 and 1996, when the economy was adversely affected by hurricane Luis). The currency is the Eastern Caribbean dollar with an exchange rate of

US$ 1 = EC$ 2.7. Inflation is estimated at the rate of 2.0 per cent. In 1989, gross domestic product (GDP) was approximately EC$ 135 million and in 1998, approximately EC$ 245 million. However, although Anguilla has a relatively high GDP per capita of US$ 7,289, it shares with other eastern Caribbean countries the constraints and vulnerabilities imposed by its small size, a narrow resource base and dependence on external trade. Anguilla's traditional industries, fishing, farming, salt production, livestock rearing and boat building, have in recent years been overshadowed by commercial and residential construction, the tourism industry and a developing offshore finance sector. Currently, the leading sectors of the economy, tourism, construction and government services account for 64.1 per cent of GDP. Tourism accounts for more than 30 per cent of GDP on an annual basis.[6]

13. In his 2000 budget address, the Minister of Finance of Anguilla quoted preliminary OECS figures as indicating that the GDP growth rate for Anguilla in 1999 grew by 8.24 per cent over the 1998 estimate. Similarly, he pointed out that the projection for GDP growth in 2000 was 5.57 per cent. Nonetheless, the Minister also referred to more modest estimates from the Economic Commission for Latin America and the Caribbean (ECLAC), in its report on the impact of hurricane Lenny. ECLAC placed GDP growth in 1999 between 0 and 3 per cent, and its forecast for 2000 was in a range between -4 per cent and +4 per cent. The Minister of Finance has pointed to the Government's intention to promote growth through domestic and inward investment in tourism, financial services and fisheries, and also to fund major infrastructure improvements in the road network and airport facilities. He also emphasized the need to diversify the economy into novel sectors such as electronic (e-)commerce and e-business as these are not so directly affected by the damage and destruction caused by hurricanes and other disasters. Hence the announcement of the establishment on 1 April 2000 of a joint government-private sector task force for the development of e-commerce. Its mandate is to draft and assist the Government to develop and implement a comprehensive legislative, regulatory and infrastructure development strategy for Anguilla with the aims of diversifying the economy and attracting new e-business.[7]

14. Anguilla is very conscious of its vulnerability to the advent of globalization, as stated by ex-Chief Minister Hughes in his statement to the twenty-second special session of the General Assembly on the review and appraisal of the implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (New York, 27 and 28 September 1999). He noted that Anguilla was not only conscious of the threat to its environment but was also concerned about losing its identity in the process of development, which it could only achieve safely if aid flows from the major donor agencies to assist in developing not only the social but also economic infrastructure. According to UNDP, at one time donor assistance to Anguilla averaged US$5 million per year. There is now little indication of continuing donor support as the island is viewed as a net creditor because of its high per capita income. In 1998, aid totalled US$ 283,000, of which the European Community provided 73 per cent (most of it used for water distribution projects) and the Caribbean Development Bank disbursed 23 per cent to the Ministry of Finance and the Anguilla Development Board. UNDP contribution was 1.41 per cent and the remaining 1.06 per cent came from Canada.[8] In addition, capital assistance from the United Kingdom is expected to cease by financial year 2001/02.[9]

B. Public finance

15. Total government revenue for 1998 was EC$ 72.3 million, out of which the trans-shipment of products from third countries to the European Union provided an unexpected and significant source of revenue of approximately EC$ 14.2 million. The economics of trans-shipment are as follows: cargo ships from third countries receive a small incentive payment to moor off Anguilla; these ships pay an import duty on the cargo, at a valuation that excludes onward shipping costs. When the cargo reaches Europe, no duty is levied because technically the goods have been transported from a United Kingdom Overseas Territory.[9] However, trans-shipments were halted in November 1998 as a result of concerns on the part of the administering Power about the practice. Although the matter was partially resolved after talks between the territorial Government and the United Kingdom, trans-shipments were halted for much of 1999. For the Government, the cessation of this trade resulted in considerable decrease in revenue collection. In addition, revenue was negatively affected by other factors, such as the period of political impasse, the threat of the millennium bug

and the damage caused by hurricanes Jose and Lenny, which impacted revenue from tourism. According to the Minister of Finance, the revenue estimate for 2000 is EC$ 75 million, an 18 per cent increase over 1999 estimates. The increase will come primarily from water rates and through earnings from Anguilla's domain name registration. In addition, it is hoped that the European Union (EU) revision of trans-shipment procedures will favour the Territory.

16. Recurrent expenditure during 1999 increased to EC$ 69.5 million. The Government's proposal for 2000 is for EC$ 75 million, the main increases being in the areas of water, education, the treasury, financial services, secondary health care, Attorney-General's chambers, Ministry of Finance, customs and Ministry of Social Services. The local capital expenditure budget for 2000 is set at EC$ 5 million, of which 50 per cent is to be spent on developing a better road network. The externally funded portion of the capital programme is earmarked mainly for secondary school development and seaport and airport development.

C. Agriculture and fisheries

17. Agricultural activity in Anguilla is extremely limited by a combination of factors, including poor soil, the small amount of arable land and irregular rainfall. Notwithstanding the prevailing dry conditions and the unpredictable rainfall patterns existing in Anguilla, agriculture continues to play an important part in the livelihood of the local people (see A/AC.109/2016, paras. 14 and 15).

18. Recent agricultural initiatives include the expansion of the drip irrigation system, promotion of commercial fruit production, horticultural development and backyard gardening. Other activities have centred around the commercial development of poultry farming, rabbit production and bee-keeping. New techniques in livestock production and fodder conservation are being developed.

19. Fishing is one of the most important economic activities in Anguilla, producing between 300 and 500 tons of fish, lobster and crayfish annually, some of which is exported to neighbouring islands. The Longline Fisheries Development Project, funded in part by the administering Power, is intended to improve Anguilla's fishing industry while relieving pressure on inshore fish stocks.

D. Industrial development

20. In 1997, discussions were initiated with Beal Aerospace Inc., of the United States of America, concerning the construction of satellite launch pads on Sombrero Island, 30 miles north-west of Anguilla. The project was described by the then Minister of Finance as having the potential to spin off very considerable business activity, employment and income for the people and revenue for the Government. In the process it would not only bring greater balance to our economy but also thrust us in the forefront of high technology commercial business.[10]

21. In order to address environmental concerns and regulatory requirements, Beal Aerospace commissioned an environmental impact assessment for Sombrero Island and the surrounding waters. According to Beal, its operations would have little or no impact on the environment. The study was completed and submitted to the Government of Anguilla and the administering Power for consideration. Objections from environmentalists, however, including the Royal Society for the Protection of Birds in the United Kingdom, led the Government to deny authorization for the construction of the launch pads.[11]

E. Transport, communications and other basic facilities

22. The Territory is served by a network of nearly 100 km of all-purpose roads, two major seaports and an airport. In recent years, several major capital improvement projects were completed and others were reported in progress. One such project is the construction of a new jetty at Island Harbour. The Caribbean Development Bank has approved a loan to finance a port development study. It is expected that this study will be completed in 2000. A comparative airport study funded by the United Kingdom Government was also completed this year. The improvement of the airport facility is considered urgent due to its impact upon tourism.

F. Construction

23. The construction sector is the second largest contributor to GDP after tourism; it has maintained its

high level of contribution to GDP, with an average of 14.3 per cent for the past years. Most of the construction was for private residences, although a 93-room hotel was scheduled for completion in 1999.[12] Output in this sector depends heavily upon and is derived from demand in the other sectors of the economy and is, therefore, considered an excellent barometer of the level of new investment taking place in the economy.

G. Financial services

24. Anguilla is a zero-tax jurisdiction promoted for offshore banking and, as a United Kingdom Overseas Territory, politically stable. The territorial Government has developed a comprehensive package of corporation and offshore financial business legislation, including the Companies Ordinance, the Limited Liability Companies Ordinance and the International Business Companies Ordinance. Costs for the formation and licensing of companies in Anguilla are competitive, as are company management fees. Among the incentives that apply to the establishment of offshore banks and trusts are that there are no exchange controls or restrictions on transfers of security and earnings may be retained offshore and repatriated freely.

25. The administering Power has supported the development of the financial services sector through the provision of a Director of Financial Services and the development of a computerized on-line registration network.[13] Anguilla's Commercial On-line Registration Network, also known as ACORN, is an innovative piece of software which allows on-line registration of companies 24 hours a day and is expected to provide substantial returns over the medium term on the EC$ 3.4 million investment.

26. In 1998, revenues from the financial services sector were approximately EC$ 1.7 million; the territorial Government anticipates that, with a vigorous marketing plan in place, revenues will have more than doubled, to EC$ 5 million, by 2001.

27. OECD seeks a review of the taxation regimes of jurisdictions which appear to offer an unfair advantage and which might be open to international financial crimes. Anguilla is among the 20 countries listed by OECD which it says have harmful tax regimes. The Financial Stability Forum (FSF), which was created in 1999 by policy makers from the Group of Seven (G-7) leading industrialized nations, put several Caribbean offshore financial centres (including Anguilla) in the worst of three categories regarding the risk they pose to financial stability. Anguillan officials said the FSF survey took no account of steps being taken to improve supervisory practices in the jurisdiction.[14]

28. In reply to criticism of the tax haven jurisdictions in the Caribbean, the Director of the National Bank of Anguilla responded that critics from outside the region were unfair. He argued that Caribbean jurisdictions have 12 per cent of the global tax haven deposits, while OECD States, led by Switzerland and Luxembourg, have 60 per cent.[15]

29. A similar position was voiced by the then Chief Minister, Hubert Hughes, in his address to the twenty-second special session of the General Assembly on the review and appraisal of the implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, held from 27 to 28 September 1999, in New York. He stated his concern that the G-7 group of industrial countries make allegations of unfair tax legislation and unfair competition by small island developing States, which depend on the financial services industry as a second plank of income being necessary to sustain some degree of development and financial diversification.

30. A review of the financial services of British Overseas Territories in the region has been jointly commissioned by the United Kingdom Foreign and Commonwealth Office and the Governments of the territories in the region. The review is being conducted by independent analysts and should be completed by June 2000. All banking practices and legislation will be reviewed, including legislation covering the offshore insurance industry, the securities sector, companies and trusts, independent regulatory authorities, international cooperation and anti-money-laundering legislation and preventive measures.

31. In March 2000, financial experts from Anguilla and representatives of other territories attended a United Nations offshore forum convened in the Cayman Islands by the Global Programme against Money-laundering. The objective of the forum is to obtain global commitment to internationally accepted standards of financial regulation and anti-money-laundering measures as they apply to the provision of cross-border financial services.[16]

H. Environment

32. According to information received from the administering Power, Anguilla has one of the most important largely unbroken coral reefs in the Eastern Caribbean. Its coastal and marine biodiversity (including fish, seabirds and marine turtles) is the island's most important natural asset. Sombrero Island provides 70 per cent of the nesting habitat of the masked booby and other Caribbean seabirds.[17]

33. Although environmental considerations have been incorporated into major tourism policy statements, Anguilla has experienced the impact of both tourism- and non-tourism-related activities. Coastal erosion and damage to pristine areas and archaeological sites have resulted from land clearing, mining and construction activities, and there is an increasing risk of groundwater pollution from domestic and hotel effluents. The destruction of coastal mangroves and wetlands has led to loss of wildlife habitats. Another view of environmental concern is disaster mitigation and management in view of the fact that the island lies in the hurricane belt.[18] According to ECLAC, direct hurricane damage in two days in November 1999 was estimated at US$ 177.8 million, excluding environmental damage.

34. In recent years, there have been a number of large-scale environmental conservation projects developed in Anguilla. One of these is a project to conserve wild seabirds, funded by the United Kingdom's Darwin Initiative. Another is a sand dune rehabilitation pilot project launched by the Department of Fisheries and Natural Resources, in partnership with the Planning Department and Anguilla's National Trust. This project is funded by the United States Agency for International Development (USAID) through the United Nations Environment Programme and administered by OECS.

I. Tourism

35. Anguilla is an up-market tourist destination, with high standard, expensive hotels. Tourism, accounts for the largest portion of GDP, both directly and indirectly, through links with the construction, agriculture, fishing, banking and finance, communications and trade sectors.

36. The Government of Anguilla has increased its efforts to promote tourism and to diversify Anguilla's tourism product. The Tourist Board is contributing significantly to Anguilla's marketing efforts through increased mobilization of resources and the implementation of a tourism strategic marketing plan developed under the EU-financed Caribbean Tourism Development Programme, as well as a United Kingdom-funded Tourism Promotion and Development Project.

37. Tourist arrivals totalled 46,782 in 1999, a 6.6 per cent increase over 1998, the most significant increase being in the months of March, September and October, which recorded increases of 25 per cent, 52 per cent and 21 per cent, respectively. September, which is a relatively slow period, recorded 1,765 tourists arrivals, which surpassed the previous record set in 1994, when 1,688 tourists visited the Island. The United States continues to be the dominant source of tourist arrivals to Anguilla, accounting for 55.5 per cent or 25,960 of the 46,782 tourist arrivals in 1999. Arrivals from the Caribbean increased by 25.2 per cent over 1998 and it still maintains its position as the second most important source market, accounting for 12.8 per cent of overall tourist arrivals. One of Anguilla's new markets, Italy, showed an increase of 33.9 per cent and accounted for 11.4 per cent of the island's market share; the other new market, Germany, recorded a marginal increase of 0.2 per cent tourist arrivals. The overall visitor expenditure was estimated at EC$ 152.5 million (US$ 56.5 million), a decline of 2.7 per cent in comparison to the 1998 total.[19]

J. Country policy plan

38. In August 1993, Anguilla signed with the United Kingdom the first country policy plan covering the period from 1993/94 to 1996/97. The plan was the first to be agreed upon between the administering Power and a Caribbean dependent Territory. It outlined the commitment of both the Government of Anguilla and the United Kingdom to a new and closer policy of dialogue and partnership.

39. The administering Power has stated that the main aim of its development assistance programme to Anguilla is to support economic growth and self-sufficiency through sensible economic and financial management and, in the meantime, to help to ensure that basic needs are met, including the provision of

essential infrastructure in the education sector. The development strategy for Anguilla's future will be discussed in the context of the next country policy plan which will be directed at Anguilla's graduation from United Kingdom capital assistance by financial year 2001/02 with continued support for sound economic and financial management and good government.

40. According to the Anguillan 2000 budget address, the newly appointed Chief Minister and the Minister of Finance met with authorities in the United Kingdom at the end of March 2000, at which meeting they received assurances that an amount of $13 million would be earmarked for Anguilla. A British team is to review the country policy plan in June 2000.[20]

IV. Social conditions

A. General

41. Based on its social indicators, Anguilla compares favourably with countries of the region within the human development index. According to UNDP, the child mortality rate is low, life expectancy is 75 years, adult literacy is 95 per cent and unemployment is negligible. Approximately 25 per cent of the 4,000 indigenous workers are employed in tourism, 16 per cent in the civil service and 10 per cent in part-time agriculture; 5 per cent are on income support. The remaining 44 per cent are engaged in private sector activities, including microenterprises. Allowances to needy senior citizens and grants to financially disadvantaged children have been significantly increased on several occasions over the past five years.

B. Disaster preparedness and prevention

42. Anguilla is a member of the Caribbean Disaster Emergency Response Agency (CDERA). Following the devastating effects of hurricane Lenny in November 1999, it was a beneficiary of the CDERA coordinated hurricane Lenny appeal. It also received a loan of US$ 3.7 million from the Caribbean Development Bank to undertake rehabilitation and reconstruction activities (for further information, contact: www.cdera.org). In addition, Anguilla benefits from the activities of the Caribbean Disaster Mitigation Project, which is a joint project of the Organization of American States and USAID.

C. Public health

43. The Government remains committed to providing primary health care for all Anguillans. The Territory is served by the 24-bed Cottage Hospital and the Princess Alexandra Hospital, a 36-bed facility financed by the United Kingdom.

44. In the 2000 budget, the Government announced an increase in funding for secondary health care from the 1999 estimate of EC$ 6 million to EC$ 6.8 million; 80 per cent of the increase will be directed to staff emoluments in order to ensure that the Princess Alexandra Hospital is adequately staffed and the quality of health care improves.

D. Public education

45. Education is free and compulsory between the ages of 5 and 14. There are six government primary schools and one government secondary school, the Albena Lake-Hodge Comprehensive. As part of the government policy to enable Anguilla to meet both its present and future needs, the problem of overcrowding is being addressed by the construction of another campus, as well as the implementation of curriculum reforms.

46. According to the 2000 budget, education will receive an increase of 13 per cent from EC$ 10.37 million in 1999 to EC$ 11.81 million in 2000. In 1998, a major review of the system was undertaken and a draft five-year education sector development plan prepared. The plan focuses on physical and environmental improvements, curriculum development, expansion of special education, increased support for early childhood education, rationalization of pre-vocational education, expansion of computer skills education, management development and professional development of principals and teachers. This project is being financed by the Government of the United Kingdom in the amount of £2.72 million, together with counterpart funding by the Government of Anguilla.

47. In addition, in order for Anguilla to fully benefit from the information age, the Government has underlined the need to focus education on the use of information technology and to include information technology and computer literacy in the core curriculum of the national educational system. According to the Minister of Finance, this calls for the

development of networked schools with access to the World Wide Web.

E. Human rights

48. The Territory is subject to certain major human rights conventions that were acceded to by the administering Power. These include the International Convention on the Elimination of All Forms of Racial Discrimination and the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

49. In a report submitted to the United Nations Committee against Torture under article 19 of the Convention on 1 April 1998, the administering Power made the following statements with respect to Anguilla:

> "169. The Government of Anguilla continues at all times to seek to ensure that the requirements of the Convention are scrupulously observed.
>
> "174. With reference to the question of judicial corporal punishment, it can be reported that a bill has been introduced in the Anguilla House of Assembly to abolish the power to order such punishment and also corporal punishment for prison offences ...
>
> "175. The Education Ordinance 1993 — and there are no present plans to amend it in this respect — still provides for the administering of corporal punishment in schools but only 'where no other punishment is considered suitable or effective, and only by the Principal, Deputy Principal or any teacher appointed by the Principal for that purpose, in a manner which is in conformity with the guidelines issued in writing by the Chief Education Officer'. The Ordinance expressly provides that 'in the enforcement of discipline in public schools and assisted private schools degrading or injurious punishment shall not be administered'."

50. Human rights issues in the Overseas Territories were addressed by the administering Power in the above-mentioned White Paper (see para. 6 above). With respect to the possibility of introducing reform of current legislation banning homosexual acts, the former Chief Minister of Anguilla expressed his opposition to initiating a bill to such effect in the Anguilla House of Assembly.

F. Drugs

51. According to a United States Department of State international narcotics control strategy report on the Caribbean of March 1999, in general the British Overseas Territories in the Caribbean are not significant drug-producing locations but are drug-trans-shipment points. Anguilla's geographical position makes it a prime trans-shipment route, particularly vulnerable to airdrops of cocaine in the surrounding seas and offshore islands. The drops generally are destined for other nearby islands. However, cooperation among Anguillans, French and Dutch officials in St. Martin is good. Senior police officers routinely hold joint meetings to address issues and exchange drug-related information. The French in St. Martin have become more active in taking measures to reduce the transfer of small quantities of drugs to Anguilla via passenger ferry. The United Kingdom has allocated US$ 690,000 towards a Caribbean-wide, drug-law enforcement training programme. During 1998, Anguilla forces seized 5,420 kilograms of marijuana, 40 cannabis plants, eight cannabis seeds, and 111 grams of cocaine, and arrested 36 people on drug-related offences.[21]

52. Good maritime cooperation between the United States, the Caribbean Overseas Territories and the United Kingdom exists in the Caribbean region. An example of which is Anguilla participation in Operation Conquistador, a 17-day crackdown organized by the United States Drug Enforcement Administration, designed to disrupt drug trafficking in the source countries and throughout the regional distribution chain, the arrests and seizures results of which were extremely impressive.[22]

V. Participation in international organizations

53. The Government of Anguilla cooperates directly with other Caribbean Governments and participates in regional conferences and projects organized by Governments and regional and international organizations and agencies. The first United Nations Development Programme country cooperation

framework for Anguilla, which was approved by the Executive Board in 1997 for the period January 1997 to December 1999, has been extended through December 2000, due to the fact that national development priorities have not changed and therefore the component projects of the framework remain relevant. (See DP/CCF/ANL/1/EXTENSION 1.) The Territory is a member of the Caribbean Development Bank, the University of the West Indies and the Eastern Caribbean Central Bank, and holds observer status in the Organization of Eastern Caribbean States. The Territory is represented at the annual meetings of the Caribbean Group for Cooperation in Economic Development, sponsored by the World Bank. On 28 September 1999, Chief Minister Hughes addressed the General Assembly's special session on the implementation of the 1994 Programme of Action for the Sustainable Development of Small Island Developing States on behalf of Anguilla, the British Virgin Islands, the Turks and Caicos Islands and Montserrat. Anguilla had participated in the Global Conference on the Sustainable Development of Small Island Developing States in 1994 as a member of the United Kingdom delegation. The Chief Minister stated that because Anguilla is a tourist economy, the island has a high per capita income and as a consequence does not qualify for many United Nations aid programmes. He went on to state that while it is true that very high wages are paid out to the 10 per cent top-paid expatriate technical and managerial staff in the tourism and now growing financial services industries, the bulk of the local workers are paid very small wages. He felt that that was unfair and that that means of assessing the needs of the Territory should be revisited. (for details of current donor assistance to Anguilla, see para. 14).

54. As a British Overseas Territory, Anguilla's relationship with the European Union is governed by Britain's legislation and British agreements with her European partners.

VI. Future status of the Territory

A. Position of the territorial Government

55. At a meeting of the Eastern Caribbean Central Bank's Monetary Council in July 1999, the former Chief Minister of Antigua, Hubert Hughes, expressed the view that the wide-ranging discretionary powers vested in the resident British Governor thwart the development interests of the territories' political directorate. He added that the island was striving to understand the true relationship with the administering Power, specifically the relationship between the Governor's powers and that of the elected leadership.[23] In a speech at the oaths of allegiance for the new Governor, Peter Johnstone, former Chief Minister, stated that colonial governors promote Britain's interests, which in most cases are against the interests of the people they are sent to govern. He added that the United Kingdom Government should extend its domestic commitment to devolution to its colonies, and stated that Anguilla would be seeking the same power of self-determination that Wales and Scotland now enjoy.[24] According to the 2000 budget address, the new United Front coalition Government, which gained power in March 2000, has called for the fostering of a spirit of creative, flexible, strong and committed partnership with the Government of the United Kingdom in order to achieve Anguilla's development objectives. Such a partnership is also expected to promote progress in the constitutional and political fields.

B. Position of the administering Power

56. Key recommendations of the administering Power contained in the White Paper (see para. 7 above) are noted below:

(a) In future the Territories would be known as the United Kingdom Overseas Territories, in short Overseas Territories;

(b) British citizenship (and so the right of abode) would be offered to those people of the Overseas Territories who did not already enjoy it and who met certain conditions;

(c) Those who did not want to take it up would be able to remain British Dependent Territories citizens;

(d) British Overseas Citizens would not be included in this offer, nor would it apply to people who owed their British Dependent Territories citizenship to links with the British Indian Ocean Territory or the Sovereign Bases on Cyprus;

(e) The offer of citizenship would be on a non-reciprocal basis (as far as the right of abode is concerned). No conditional links have been made

between the offer and other obligations set out in the White Paper;

(f) Administrative and representational arrangements would include:

(i) The establishment of parallel Overseas Territories structures in the Foreign and Commonwealth Office and the Department for International Development;

(ii) The appointment of Baroness Symons as Minister with responsibility for the Overseas Territories;

(iii) The creation of an Overseas Territories Consultative Council to bring together British Ministers and the Chief Ministers of the Overseas Territories or their equivalents;

(iv) The designation of a First Secretary in the office of the Permanent Representative of the United Kingdom to the European Union as the point of contact for the Overseas Territories with the European Union;

(g) In terms of good governance, provision would be made for:

(i) Improved regulation of the financial service industries in the Overseas Territories to meet internationally acceptable standards, and to combat financial crime and regulatory abuse;

(ii) Measures to promote greater cooperation with international regulators and law enforcers so as to share information and improve worldwide financial regulation;

(iii) Enhanced measure to combat drug trafficking and drug-related crime;

(iv) Reform of local legislation in some Territories to comply with the same standards of human rights as those existing in the United Kingdom with regard to capital punishment and consensual homosexual acts. If local action is not taken Her Majesty's Government would enforce the necessary changes;

(h) Measures for sustainable development would include:

(i) Partnership between Her Majesty's Government and the Overseas Territories to promote economic growth and self-sufficiency;

(ii) Confirmation that the reasonable assistance needs of the Overseas Territories would be a priority in the development programme;

(iii) Continued budgetary aid for Montserrat and St. Helena;

(iv) Strengthened procedures and guidelines on borrowing by the Overseas Territories;

(v) Enhanced policies, legislation and standards for the protection and management of the rich natural environment of the Territories;

(vi) Increased funds (£1.5 million over three years) to assist in creating and implementing environmental programmes;

(vii) Agreement of an environmental charter between the United Kingdom and the Overseas Territories;

(viii) Technical support, training and cooperative schemes to build local capacity to manage and monitor the environment.

57. According to press reports, after a three-year appointment as Governor of Anguilla, outgoing Governor Harris expressed doubts as to the usefulness of his stay in the Territory. He went on to state that the people of Anguilla have to make a choice either to go independent or accept the very light conditions that Britain imposes for its relationship with this country — to work together with the British rather than in conflict with them.[25] Mr. Harris has been succeeded by Peter Johnstone.

C. Consideration by the General Assembly

58. On 6 December 1999, the General Assembly adopted resolution 54/90 B, a consolidated resolution on 11 Non-Self-Governing Territories, section II of which is specifically devoted to Anguilla.

Notes

[1] The information contained in the present paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 *e* of the Charter of the United Nations on 9 May 2000. The facts and figures presented in the working paper are the latest information available.

[2] United Kingdom White Paper entitled "Partnership for progress and prosperity", appendix I, March 1999.

[3] *The Light*, No. 302.

[4] Ibid., No. 304.

[5] *Overseas Territories Review*, Caribbean Information Services, April 1999.

[6] UNDP, "Extension of first country cooperation framework for Anguilla", 29 February 2000.

[7] Press release, accessed at: www.anguillaoffshore.com, 30 March 2000.

[8] Paper prepared by UNDP Barbados office, August 1999.

[9] United Kingdom White Paper ...

[10] Government of Anguilla, 1999 budget.

[11] *Financial Times*, 6 June 2000.

[12] Paper prepared by UNDP Barbados office, August 1999.

[13] United Kingdom White Paper ...

[14] *Financial Times*, 5 June 2000.

[15] Ibid., 22 February 2000.

[16] Facsimile from UNDCP, 21 June 2000.

[17] *Financial Times*, 7 June 2000.

[18] UNDP, "Extension of first country cooperation framework for Anguilla", 29 February 2000.

[19] Government of Anguilla, *Statistical Review of Tourism, 1999*.

[20] *The Daily Herald*, St. Maarten, 26 June 2000, accessed at: www.thedailyherald.com.

[21] United States Department of State, international narcotics control strategy report, March 1999.

[22] Reuters Newsedge, 29 March 2000.

[23] *The Light*, No. 307.

[24] *Financial Times*, 9 March 2000.

[25] Associated Press/*The Royal Gazette*, 28 January 2000.

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Turks and Caicos Islands

Working paper prepared by the Secretariat

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I. General

1. The Territory of the Turks and Caicos Islands[1] is the largest of the dependent Caribbean territories of the United Kingdom of Great Britain and Northern Ireland, comprising 40 islands and cays. These islands form the south-eastern extremity of the Bahamas chain and lie 145 kilometres north of Haiti and the Dominican Republic and 925 km south-east of Miami, United States of America. The islands and cays are split into two groups by a deep water channel, with a total land area of 500 square kilometres. Limited rainfall, coupled with poor soils and a limestone base, restrict the possibilities for agricultural development. The islands have important wetland and reef habitats and provide a home for 14 endemic plants and reptiles.

2. Of these islands, only six are permanently inhabited: Grand Turk, where the capital, Cockburn Town, is located; Salt Cay; South Caicos; Middle Caicos; North Caicos and Providenciales. In addition, there are a number of hotel developments and holiday homes on smaller cays. The islands are sparsely inhabited with a population density of approximately 34 persons per square kilometre. The total population of the Territory was estimated to be about 24,000 in 1999, including some 5,000 to 6,000 immigrants from Haiti and the Dominican Republic. Historically, there has been a flow of emigration from the Islands, mainly to the United States and the Bahamas. Within the Islands, there has been net migration towards Providenciales since the mid-1980s. Most of the population resides on the two principal islands, Grand Turk, which is the administrative capital, and Providenciales, which is the business centre of the islands. Of the other populated islands, South Caicos has 10.5 per cent of the total population; North Caicos 11.1 per cent; Middle Caicos has 2.3 per cent; and Salt Cay, 1.8 per cent.[2] It is estimated that foreigners make up 50 per cent of the population. Most of the people are of African descent, the rest being mixed or of European origin. English is the main language, with some Creole spoken by Haitian immigrants. The religion is Christianity; the Anglican Communion predominates. Education is compulsory between the ages of 5 and 14, and is provided free in schools run by the Government. A national census is scheduled for 2001.

II. Historical background

3. The Turks and Caicos Islands were discovered by the Spanish explorer Juan Ponce de Leon in 1512, and they were then probably uninhabited. They remained unsettled by Europeans until 1678, when Bermudans arrived and established a solar salt industry. The Islands were settled by royalist sympathizers from the United States after the War of Independence; they established cotton plantations, employing slaves. In 1799, the Islands were annexed by the Government of the Bahama Islands, but in 1848 they were granted a separate charter. Between 1833 and 1843 slavery was abolished and the plantation owners left the Islands, leaving their former slaves in possession. From 1874 to 1959, the Turks and Caicos Islands were governed by Britain as a dependency of Jamaica and placed under the authority of the British Governor-General at Kingston, Jamaica. The Islands became a separate colony of the United Kingdom in 1962, when Jamaica became independent. For a time in the 1960s and 1970s, the Islands were under the control of the Bahama Islands, but with Bahamian independence in 1973 the Turks and Caicos were placed under a British Governor at Grand Turk.[3]

III. Constitutional and legal background

4. The Turks and Caicos Islands are described as "an internal self-governing Overseas Territory with a ministerial system of government" by the administering Power, the United Kingdom. Under the provisions of the 1976 Constitution amended in 1988, executive power is vested in the Governor, appointed by the Queen. The Constitution also provides for an Executive Council and a Legislative Council. The Governor is responsible for foreign affairs, internal security, defence, the appointment of public officers, offshore finance and certain other matters, but is otherwise normally required to act on the advice of the Executive Council. The Executive Council consists of the Governor, six elected members of the Legislative Council and two official members (Chief Secretary and Attorney General). The Legislative Council consists of 19 members. There are 13 representatives elected by popular vote, 3 appointed by the Governor and 3 ex officio members of the Executive Council.

5. The legal system, based on English Common law, includes a Supreme Court and a Court of Appeal, and has provision for appeal to the Privy Council in London. The Attorney General and Chief Justice are currently United Kingdom technical co-operation officers, as are the Senior Crown Counsel, the Legal Draftsman, the Deputy Commissioner of Police and the Head of the Criminal Investigation Division. The Police Development Project supports the provision of a further two technical co-operation officers: an Assistant Commissioner of Police and a Financial Crimes Investigation Officer.

6. In September 1996, John Kelley, who was a former Deputy Governor of Bermuda, was appointed Governor of the Turks and Caicos Islands.

IV. Political background and developments

7. There are two main political parties, the People's Democratic Movement (PDM), formed in 1975, and the Progressive National Party (PNP), formed in 1980. A third party, the United Democratic Party (UDP), was set up in 1993. Parliamentary elections are held at intervals of not more than four years.

8. In 1995, PDM defeated PNP. In the most recent general election held on 4 March 1999, PDM was re-elected under the leadership of Derek Taylor as Chief Minister, and a Legislative Council with a barely altered composition from the January 1995 poll.

9. The People's Democratic Movement, which formed the Government between 1976 and 1980, had led the demands for independence during the 1970s. The Progressive National Party, dropped these demands when it won the 1980 election.

10. In March 1999, the Government of the United Kingdom issued a White Paper on the relationship between the United Kingdom and its Overseas Territories, entitled "Partnership for progress and prosperity: Britain and the Overseas Territories" (for the text of the White Paper, see A/AC.109/1999/1, annex; for its key recommendations, see A/AC.109/1999/18, para. 37). Following the publication of this White Paper, the status of the territory, along with that of all the other territories, changed from being a "dependent" territory to become an "Overseas Territory" of the United Kingdom.

V. Economic conditions

A. General

11. The traditional economic activity, salt production, ceased in 1964. For the next two decades, the economy depended on fishing, some tourism and government employment. Agriculture is almost non-existent due to the low rainfall and high soil salinity. Practically all consumer goods and most foodstuffs are imported. Natural resources are limited and even water has to be strictly conserved. In the 1960s and 1970s, thousands migrated to nearby Bahamas and the United States to seek work. This trend has now been reversed as the economy has improved.

12. Since the 1980s, the main source of foreign exchange has been tourism and financial services. As also noted in appendix 1 to the above-mentioned White Paper, the economy of the Turks and Caicos Islands is based primarily on tourism and offshore finance. The opening of a Club Méditerranée village on Providenciales at the end of 1983 and the accompanying provision of an international airport under the United Kingdom's aid programme gave the Islands a considerable boost.

13. The increasing emphasis on the service sector has its drawbacks. Owing to the competitive nature of the global market for both tourism and offshore finance and the dependence on growth in developed countries, the Turks and Caicos Islands are increasingly vulnerable to fluctuations in the international economy, in particular to that of the United States.

14. Foreign investors, mainly from Canada, the United Kingdom and the United States, play a significant role in the Islands' economic life. The main areas of private investment are tourism property development, real estate, international finance and fishing, focused on the island of Providenciales. With heightened investment interest in the Turks and Caicos Islands, it is expected that economic growth will continue for the foreseeable future.

15. The economy grew strongly in the 1990s with the expansion of tourism and offshore financial sectors. After 1995, however, when real GDP expansion reached 13.5 per cent, the rate slowed, falling to a still robust 8.7 per cent in 1999.[4] In 1999, the economy continued to benefit from unprecedented economic expansion in the United States economy. The rate of

inflation remained low and growth continued to be fuelled by expansion of the service sector. Associated with the strong performance in the tourism sector was robust activity in the construction sector.[5]

B. Public finance

16. Usually the current budget is in substantial deficit and this — together with investment spending — is covered by funding from the United Kingdom and, to a lesser extent, the European Union and multilateral agencies. The Government levies no taxes on corporate or personal income, capital gains or inheritance. The largest component of current revenue is customs duty, while company registration fees and tourism levies have produced an increased share in recent years.[4]

17. In addition to attracting offshore investors as a means of stimulating private sector activity, the Government has embarked on an aggressive programme to strengthen financial management in the public sector; improve the productivity of the civil service; reduce the rate of growth in government spending; improve the efficiency of State-owned corporations and enhance revenue collection efforts.

18. Budget revenue for fiscal year April 1998 to March 1999 was $57,740,288 and expenditure was US$ 53,558,830. The estimated revenue for 1999/2000 is $61,820,662, with an expenditure of $61,969,518, showing a deficit of $148,856.[6] According to a performance assessment by the Caribbean Development Bank, in 1998/99 Turks and Caicos Islands showed the strongest growth among regional economies, with its GDP expansion of 8.7 per cent.[7]

19. In its budget projection for 2000-2001, the Government of Turks and Caicos Islands estimates a total revenue of $67,051,624 and expenditures at $67,111,389. The Government expects to collect 44 per cent of the revenue from duties; 15 per cent from fees and charges; 13 per cent from licences; 1 per cent from rent; 16 per cent from taxes and 11 per cent from other sources. Its recurrent expenditures are projected at 30 per cent for education, health, youth and sports; 11.2 per cent for public works; 13.6 per cent for communication, transport and tourism; 3.3 per cent for natural resources; 6.9 per cent for home affairs; 7.9 per cent for police; 21.1 per cent for the Office of the Chief Minister; 0.5 per cent for the Office of the Governor; 2.3 per cent for the Office of the Chief Secretary; 1.5 per cent for Attorney General's Chambers; 1.2 per cent for the Judiciary and 0.5 per cent for the auditors.

20. The Government's capital budget estimates form the basis of the public sector investment programme, which is financed through the Development Fund. The Fund was established for the purpose of receiving such monies as may be appropriated annually from the Consolidated Fund, together with other monies received from external donors.

21. External donors include the Government of the United Kingdom, whose funds are administered through the Dependent Territories Regional Secretariat, the Caribbean Development Bank, the European Union and the United Nations Development Programme (UNDP). UNDP has a small programme of assistance and miscellaneous assistance is received from a number of other sources.

22. The actual Development Budget Expenditure for 1998/99 was $11.5 million, of which $5.4 million was funded by Turks and Caicos Islands. Total expenditure for 1999/2000 is forecast at $21.5 million, of which the territorial Government will fund $10.7 million.[6]

C. Public service

23. The Government is the main employer, accounting for about one third of the employed population. According to information provided by the administering Power, the Government is committed to developing a cadre of highly professional, self-confident, and highly motivated Turks and Caicos Islanders for its Civil Service. Ongoing reforms include a review of pay and grade structures, new guidelines and an increased emphasis on training. Particular areas of its attention were law and order, education and health.

D. Offshore financial services

24. Some 3,376 new companies registered in 1996 to make a total of 20,717. In 1997, according to statistics provided by the Office of the Accountant-General, this fell to 3,300 new registrations and an overall total of 17,973 registered companies. Government income from company registration has been rising steadily, reaching $2.8 million in 1997/98.[4]

25. Offshore finance has been an area of growth and the second largest source of external revenue after tourism. New legislation and the Offshore Finance Centre Unit have been designed to regulate and promote the growth of offshore finance and encourage banking, insurance and trust companies. The regulatory structure set up through the Banking Ordinance of 1979 and the Companies and Insurance Ordinance of 1981 was updated and extended in 1990 and 1992. There are four commercial banks, including the Bank of Nova Scotia, which has two branches, and Barclays, which has one.[4] Some 2,000 offshore insurance companies have been licensed. Government revenue from offshore financial services was over $6 million in 1997/98.[8]

26. Constitutional responsibility for the Turks and Caicos Islands' offshore finance sector rests with the Governor. The United Kingdom Technical Cooperation Programme currently supports the sector through the provision of the Superintendent and the Deputy Superintendent of the Financial Services Commission.

27. Among the attractions for offshore companies are the use of the United States dollar as the official currency, the absence of direct taxation, a growing financial infrastructure, fast and straightforward company registration procedures, extensive financial freedom and confidentiality.

E. Agriculture, fisheries, construction and manufacturing

28. Agricultural production is small and concentrated in North Caicos. The sector has begun to grow recently, with more produce available for sale in Providenciales and the establishment of a new farmers' cooperative. In the 1998/99 budget, the territorial Government set aside funds for a comprehensive agriculture project for North and Middle Caicos, designed to grow food for sale to the tourism sector. The Government plans to designate land for agricultural development, provide these areas with an infrastructure, assist with their improvement and work with international donor agencies to provide the services of a full-time agronomist.

29. Fishing is a traditional activity and the only significant productive sector. Conch and lobster are the main catches. The Turks and Caicos Islands is home to the world's only commercial conch farm, raising domestic conch for export. Several fish farms are being developed on an experimental basis to produce tilapia for international markets.[9] About 20 per cent of the working population is involved in agriculture and fishing.[4]

30. An international construction company is based in the Turks and Caicos Islands. Sand and rock are quarried locally for use in construction projects, most significantly for hotels and commercial buildings.[4]

31. Apart from the production of handicrafts for the tourism trade, the only manufacturing activity is the semi-processing of imported rice for re-export to the European Union (EU), benefiting from duty preferences under the Lomé Convention. Operations were begun in 1994 but reduced since early 1997, when the EU imposed restrictive quota on rice imports from African, Caribbean and Pacific countries via the overseas countries and territories regime.[4]

F. Tourism

32. Tourist arrivals in 1997/98 fell just short of 100,000. Tourist arrivals increased during 1999 to 120,898, up from 120,855 in 1998.[10] The Turks and Caicos Islands tourism sector continues to record one of the fastest growth rates in the entire Caribbean, and annual visitor arrivals are expected to see an increase in 2000. About 80 per cent of the tourists come from the United States and Canada.

33. The territorial Government's strategic development plan for tourism set out a strategy for development of sustainable tourism on the Turks and Caicos Islands. The expansion of the hotel industry has continued, with most facilities concentrated on Providenciales, which accounted for about 75 per cent of the total hotel-room capacity of some 1,600 in 1996.[11] In accordance with the territorial Government's commitment to promoting the economic development of all the Islands, the Government has promoted development projects on South Caicos, North Caicos, East Caicos and Middle Caicos. In addition, the Government has signed a development agreement for the Grand Turk Harbour Project as well as several new projects on Providenciales.

34. The territorial Government completed the construction of a new airport terminal in Providenciales. Keen to reduce its dependence on the United States market, the Government is holding strategic discussions with potential donors, including

the European Development Bank, to finance a lengthening of the runway at the Providenciales Airport to handle transatlantic flights. It has also made significant budgetary allocations to improve seaports and airports throughout the country and looks to encourage financing of infrastructure through strategic partnerships with investors.[5]

35. American Airlines has increased the number of regularly scheduled flights from nine per week to two per day year round. From February 2000, Trans World Airlines has inaugurated a non-stop weekly from New York to the Islands, and Air Jamaica has included the Turks and Caicos Islands in the expansion of its Caribbean service since April 2000.

G. Infrastructure

36. Transport and communication facilities are of a good standard, reflecting the Territory's relatively high income and the developing offshore financial sector. There are three international airports, on Providenciales, Grand Turk and South Caicos, and paved airstrips on Middle and North Caicos and Salt Cay. Regional services operate to the Bahamas, Haiti and the Dominican Republic; American Airlines and Trans World Airlines operate to the United States. Grand Turk, Providenciales, South Caicos and Salt Cay have ports. The road network covers about 130 kilometres, with paved roads on Grand Turk, Providenciales and the Caicos Islands.

37. Cable and Wireless provides domestic and international telephone services, with international direct dialling and a full range of telecommunications services. There are 12 cable channels on Grand Turk and 32 on Providenciales, and six radio stations. There are no daily newspapers. The *Free Press* and the *Turks and Caicos News* are published weekly, and the *Times of the Islands*, a magazine aimed at business and tourism, are issued quarterly.

38. All electricity services are operated by private companies, with diesel generators and to United States standards of supply and reliability.[4]

39. In order to facilitate a more balanced growth in the islands, a number of major studies have identified the need for port development in Providenciales and airport development in Grand Turk. Studies are to be undertaken in waste management and transport needs.

40. Emergency funding of $160,000 has been provided for temporary work on the terminals in Grand Turk and South Caicos. A total of $131,000 has been provided for remedial work at Grand Turk Dock. South Dock Provo is becoming a major constraint to movement of goods. The cost of expanding the port to meet forecast demand is estimated at $7 million. A plan is being developed to attract private tenders.

41. Funds are being budgeted for a new dock on North Caicos and to build a causeway bridge between North and Middle Caicos. Construction will be undertaken to improve and upgrade roads and a loan from the Caribbean Development Bank is being negotiated to upgrade the Leeward Highway.

42. Water projects to improve access to potable water, and an expanded water distribution network are to be commissioned during the year.[5]

VI. Social conditions

A. General

43. The expansion in the tourism and offshore finance sector has resulted in favourable economic growth, but activities in that area are concentrated almost totally on one island, Providenciales. Thus, economic opportunities are not equally distributed among the islands. Unemployment varies between 14 and 20 per cent on the other islands, while Providenciales boasts almost full employment. Inter-island migration is common, particularly migration to Grand Turk, the capital. A number of social problems, such as overcrowding, housing shortages and an increase in the number of female-headed households, have resulted from this skewed pattern of development.[12]

44. In recognition of this issue, in the 1998/99 budget presentation, the Chief Minister had stated:

> "Our Islands are experiencing an extreme form of uneven development. This has resulted in new, and exacerbated a number of existing, socio-economic challenges for the country. Key among these is the need to address the social and economic problems resulting from the unbalanced pattern of development occurring in the Turks and Caicos Islands, to develop the education and health sectors to ensure that Turks and Caicos

Islanders become active participants in the Islands' development, and the requirement for timely provision of essential infrastructure to give *all* the Islands an opportunity to develop in their own right."[13]

45. In his budgetary address on 27 March 2000, the Chief Minister stated that his Government remained committed to the social development of the islands and the continual strengthening of the education and health services. Some services, however, were affected by the demographic changes taking place in the Islands.

B. Housing

46. In 1997/98, the territorial Government adopted a national housing policy. The first project to be implemented under this policy is the Shelter Development Project, which was designed to address housing difficulties experienced by low-income Turks and Caicos Islanders. This project includes infrastructure improvements in designated areas of Five Cays, Providenciales, and the establishment of a special mortgage programme for the renovation and extension of the homes of people in the target income group. The Government has now established the Housing Department to lead its efforts to improve the quality of housing stock and oversee the $2 million Shelter Development Project over the next two years.

C. Employment

47. During 1999, the territorial Government completed the Country Poverty Assessment Report and will be presenting it to the Executive Council. A National Consultation was held in March 2000, and the report is currently being debated by the public. According to this report, national unemployment is about 12.6 per cent. Regional differences were significant. Providenciales, Grand Turk and North Caicos had rates below the average, while the remaining islands registered rates of 20-24 per cent. Unemployment on Providenciales is the result of an imbalance between demand and supply for skills and the unwillingness of many "Belongers" (local islanders) to take certain jobs. This has led to a dependence on immigration and an influx of immigrant workers.

48. Of an estimated population of 24,000, some 5,000 to 6,000 immigrants are from Haiti and the Dominican Republic. The Turks and Caicos Islands lie directly in the path of Haitian boat people attempting to reach the United States or the Bahamas. As a result, many have arrived illegally in the territory in recent years (having also been attracted by employment opportunities on fast-developing Providenciales). A 15-month-long programme to repatriate them voluntarily or regularize their stay, under the auspices of the International Organization for Migration and with assistance from the Office of the United Nations High Commissioner for Refugees, began in January 1997. This programme provided for the processing of approximately 1,000 migrants who qualified for permanent residence in the Turks and Caicos Islands, and assisted some 3,500 with their return to and reintegration into Haiti. The immigration authorities have tightened the regulations governing the migrant workforce.[14] The territorial Government seeks the support of the United Kingdom Government and the Haitian Government to assist its efforts to enforce existing laws and regulations governing migrant workers.[5]

D. Education

49. Education in the Territory is free and compulsory for children between 5 and 16 years of age. There are 14 government-run primary schools and 4 government-run secondary schools. The adult literacy rate is 98 per cent.[15] The pupil-teacher ratio averages 25:1. The overall goal of the sector is to prepare the population for employment opportunities that will arise as the pace of development increases.[16] According to information provided by the administering Power, the Government of the Territory continues to work towards improving the education sector, with concentration on staff training and a successful drug awareness programme sponsored by the United Nations International Drug Control Programme. Changing enrolment patterns, in particular the growth in the number of students on Providenciales, remains a key concern of the education sector. More than $10 million is planned for investments in the education sector over the next several years; these will include improvements in infrastructure, training, and planning and management reforms, as well as the commencement of a national literacy programme.

50. According to the Chief Minister, the Government is committed to a five-year education plan as the main planning document guiding the education sector in critical areas of institutional strengthening, human resource management and the timely provision of infrastructure.[5]

51. A significant expansion of education facilities has already taken place according to the Chief Minister. Further inputs of over $1.6 million from the United Kingdom, $2.2 million from the Caribbean Development Bank and $0.5 million from the territorial Government are to be made to continue the upgrading of the primary and secondary schools and the Community College.

E. Health

52. Basic health care is available on the islands through a network of primary health care clinics and one hospital, located on Grand Turk, the capital island. The Government has sought to address infrastructure needs, especially on the island of Providenciales, which has a high population growth rate.[16]

53. According to the Governor, the Islands have embarked upon an initiative in the area of health-care provision. The national health vision and plan, a United Kingdom bilateral aid-funded project, will determine the type of health service suitable for the Turks and Caicos Islands in the next five years. It will identify staffing and equipment requirement, building needs and the extent to which overseas treatment requirements can be integrated into a Turks and Caicos Islands health service. Its aim is to provide an affordable and efficient health service for all residents and visitors.[17]

54. Over the next year or two, nearly $1 million will be spent to upgrade Grand Turk Hospital, while $0.6 million will be spent on Myrtle Rigby Clinic, to cover essential needs. The various island clinics are to be upgraded with funding provided by the Caribbean Development Bank under its basic needs trust programme over the next two years. A clinical nursing curriculum has been developed and is scheduled to commence in September 2000 at the Community College to help reduce the dependence on expatriate staff.

55. The Government remains steadfast in the fight against acquired immunodeficiency syndrome (AIDS) and drug abuse. A national AIDS programme has been formulated to raise awareness through improved information, education and communication programmes.

F. Drugs and drug trafficking

56. Royal Navy and Royal Air Force attachments to the Police Force have enhanced the Turks and Caicos Islands' ability to combat drug trafficking. The Islands enjoy close cooperation with the United States and Bahamian narcotics agencies under an agreement extended to the Turks and Caicos Islands in 1990, thus allowing for combined United States/Turks and Caicos Islands/Bahamas interdiction operations. In one operation in February 1998, the Turks and Caicos Islands authorities seized over two tonnes of cocaine.

G. Environment

57. The Chief Minister noted in his budget speech in March 2000 that the $1.6 million grant from the administering Power to facilitate the implementation of the territorial Government's coastal resource management project had been delayed but the project is now well under way to establish a National Park Service to help protect the coral reefs and coastal areas. This project will also help construct a national environmental centre on Providenciales, and fund awareness programmes to educate the public on the benefits of the national parks. It is also intended to address the degradation of the natural resources caused by increases in population pressure and tourist arrivals.[18]

H. United Kingdom Development Assistance

58. According to the administering Power, the future development strategy for the Islands was discussed in the context of the country policy plan negotiated in 1999. The last bilateral assistance programme focused on the development of the civil service, the provision of technical cooperation officers and expertise to assist the Government over a wide range of public service activities, the development of "gateways" legislation on financial services, and the strengthening of judiciary and democratic institutions. The programme focused

on the provision of support in the education and health sectors.[19]

VII. Participation in international organizations and arrangements

59. The Turks and Caicos Islands were admitted as an associate member of the Caribbean Community (CARICOM) in July 1991.

60. UNDP assistance continues under a new 1998/2003 country programme. Areas of emphasis for the new programme include technical assistance in excess of $780,000 for small enterprise development, the national integrated development plan, and the reintroduction of the United Nations Volunteers programme. According to the territorial Government, these core programmes are designed to utilize the comparative advantage of the United Nations system to promote entrepreneurial development among Turks and Caicos Islanders and enhance the development planning process in the country.

VIII. Future status of the Territory

A. Position of the territorial Power

61. As cited in resolutions of the General Assembly on the Turks and Caicos Islands (see General Assembly resolution 54/90 B, part X), the representatives of the Turks and Caicos Islands stated in 1997 that there was a lack of adequate visible development of the process of self-determination in the Territory. They stated that there was the political will on the part of the territorial leaders for a more advanced Constitution which would enable an orderly transfer of power to the people of the Turks and Caicos Islands. They said that the administering Power should accelerate the process of equipping and preparing the people of the Territory to evaluate properly the available options of self-determination and, with that in view, emphasized that the advancement of the political, economic, social and educational institutions in the Territory was of paramount importance.[20]

62. In his 1998/99 budget presentation the Chief Minister of the Turks and Caicos Islands had stated: "Whilst we welcome the new United Kingdom Government's White Paper on development and the outcome of the recent London meetings, we remain concerned that too many delays have affected the bilateral aid programme."

63. In his speech from the throne given on 25 May 1999, the Governor also referred to the White Paper and stated that the Legislative Council would debate the three main issues raised, namely, British citizenship, human rights and offshore financial services, and make any changes to the laws of the Turks and Caicos Islands, if necessary.

B. Position of the administering Power

64. In her statement to the Fourth Committee of the General Assembly on 6 October 1999 (A/C.4/54/SR.5), the representative of the United Kingdom said that over the past year her Government had made further progress in its efforts to transform its relationship with its Overseas Territories into a fully modern partnership based on the four principles of self-determination, mutual obligations, freedom for the Territories to run their affairs to the greatest degree possible and a firm commitment from the United Kingdom to help the Territories economically as well as assist them in emergencies. The United Kingdom was prepared to consider any proposals about their future put forward by the peoples of the Territories themselves.

C. Consideration by the General Assembly

65. On 6 December 1999, the General Assembly adopted resolution 54/90 B, a consolidated resolution on 11 Non-Self-Governing Territories, section X of which is specifically devoted to the Turks and Caicos Islands.

Notes

[1] The information contained in the present paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 *e* of the Charter of the United Nations on 20 May 1999.

[2] See DP/CCF/TCI/1, para. 3.

[3] Encyclopaedia Britannica, accessed at: Britannica.com.

[4] Economic Intelligence Unit (EIU), *Country Profile: Turks and Caicos Islands, 2000/2001*.

[5] Chief Minister's budget address, 27 March 2000.

[6] Turks and Caicos Islands Government budget 2000-2003.

[7] Comtex Scientific Corporation, *News Edge*, 3 March 2000.

[8] *The Island Connoisseur*, Turks and Caicos Islands, government and economy, accessed at: www.islandconnoisseur.com/turks/govern.htm

[9] *1998 Caribbean Basin Profile*.

[10] EIU, *Country Outlook: Turks and Caicos Islands*, EIU newswire, 14 April 2000.

[11] EIU — *Country Profile: Turks and Caicos Islands*, EIU newswire, 10 May 2000.

[12] *1998 Caribbean Basin Profile*.

[13] Statement on the 1998/99 budget address by the Chief Minister of the Turks and Caicos Islands on 19 March 1998.

[14] British Overseas Territories, White Paper, appendix one.

[15] *1998 Caribbean Basin Profile*.

[16] Ibid.

[17] Governor's throne speech, May 1999.

[18] *Turks and Caicos Weekly News*, October 1998.

[19] British Overseas Territories, White Paper, appendix 1.

[20] See A/AC.109/2089, para. 29.

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United States Virgin Islands

Working paper prepared by the Secretariat

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I. General

1. The United States Virgin Islands[1] are located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island) recently transferred to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas.

2. According to the United States Census Bureau, the population as of mid-1997 was estimated at 116,882, with a current growth rate of 1.3 per cent. The growth rates in St. Thomas and St. John were approximately 15 per cent each during the period 1990-1997, whereas the population of St. Croix grew only 3 per cent in the same period.[2]

3. Immigration into the Territory has declined over the past several decades. Native Virgin Islanders were a minority in the 1980 and 1990 censuses, but were a majority again by 1995, as children of the immigrant population raised the number of native-born. The percentage of residents born outside the United States decreased from 37.7 per cent in 1980 to 33.9 per cent in 1995. Foreign immigrants are mostly from the Eastern Caribbean and the Dominican Republic, while domestic migrants came from Puerto Rico and the mainland United States.

II. Constitutional and political developments

A. General

4. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States of America. Following the adoption of the Organic Act of the Virgin Islands (1936), last revised in 1954, the islands were granted a measure of self-government over local affairs. Executive power is vested in a popularly elected Governor, who appoints, with the advice and consent of the Legislature, the heads of the executive departments.

5. The Legislature, a unicameral body comprising 15 senators, is elected for a two-year term by a popular vote. The Legislature has the power to enact laws such that they are consistent with federal laws made applicable to the Territory by the United States Congress and do not impair rights guaranteed by treaties, international agreements, or rights contained in the Organic Act's "Bill of Rights". Under the latter are enumerated, *inter alia*, rights of due process and equal protection, and freedoms of speech, assembly and religion. The Legislature may also issue bonds, levy customs duties (up to 6 per cent) and oversee executive departments. Legislation is subject to approval by the Governor, whose veto can be overridden by two thirds of the Legislature. The United States Congress retains the right to annul any act of the local legislature. The United States Virgin Islands is represented in the United States Congress by a popularly elected delegate who may vote in the committees in which he or she is a member, but not in floor votes.

6. The judicial system includes two courts: the United States Federal District Court of the Virgin Islands, whose judges are appointed by the President of the United States with the advice and consent of its Senate; and the United States Territorial Court of the Virgin Islands, whose nine judges are appointed by the Governor. The Federal District Court has jurisdiction in civil, criminal and federal actions.

7. Since the Organic Act of the Virgin Islands (1936) was last revised in 1954, there have been five attempts to redraft it in order to change the current internal mechanisms of government. Each draft, however, was rejected by a referendum. Regarding the Territory's political status, the most recent attempt to create a constitution was in 1993. However, only 27 per cent of the electorate voted (80.3 per cent of which voted to retain the current status). The result was considered invalid as less than 50 per cent of the electorate voted. Recently, legislation has been introduced in the Territorial Senate to create the mechanisms for the establishment of a constitutional convention. If the legislation is approved the members of the convention would be elected during the next general elections (November 2000). The draft constitution emerging from the convention would have to be submitted to the Territory's electorate in a referendum and, subsequently, to the United States Congress, which has the power to amend, approve or reject it. In this connection, on 17 May 2000, the House Resources Committee in Washington, D.C., held a hearing on a bill applicable to the United States Virgin Islands and Guam which would extend the time

span which Congress has to review any draft constitution submitted by these Territories from 60 days to an open-ended period. The bill would also confirm that the completion of a local constitution by the territorial electorate would not preclude their right to self-determination and the modification of the present political status arrangements.

8. The process of transferring ownership of Water Island, off the south shore of St. Thomas, to the United States Virgin Islands Government, is ongoing. Following the outcome of litigation between the master leaseholder and the United States Department of the Interior, the island has been transferred to the territorial Government and is now part of the District of St. Thomas and St. John.

B. Recent elections

9. The governorship of the Territory changed hands from Roy. L. Schneider to Charles W. Turnbull in January 1999, following elections in November 1998. Mr. Turnbull won the election with 58 per cent of the vote against the incumbent, Mr. Schneider, who obtained 40.9 per cent. In his first mandated address on the state of the Territory, the Governor emphasized the precarious nature of the Territory's financial system, indicated that he would reorganize and cut the costs of Government and noted that he would work closely with the private sector to encourage new businesses, promote the growth of existing businesses and increase employment. The Governor also indicated during his campaign that he would call a convention to write a draft constitution (see para. 7).

10. Also in January 1999, a new legislature was sworn in. The twenty-third Legislature of the Virgin Islands is made up of seven Democrats, two Republicans, two members of the Independent Citizens Movement and four non-party affiliate members.

11. During the annual State of the Territory address on 10 January 2000, Governor Turnbull highlighted his Government's fiscal accomplishments during 1999, saying that Government spending and hiring had been contained, and that the Government had begun paying its overdue bills, including tax refunds and vendor payments[3] (see paras. 15 to 18 for information on public finance).

III. Military installations

12. According to the most recent information provided by the administering Power (see A/AC.109/2014, para. 19), the United States Navy maintains a radar and sonar calibration station and a headquarters building for its underwater tracking facility. There are permanent recruitment centres for the armed forces and a detachment of the United States Coast Guard on St. Thomas. The Virgin Islands National Guard is affiliated with the United States Army. The Territory remains a port of call for United States naval vessels and those of its allies.

IV. Economic conditions

A. General

13. According to the administering Power, the per capita income is around $12,000, which represents approximately 80 per cent of per capita income in the mainland United States. Approximately 30 per cent of the population lives below the poverty line.

14. A considerable amount of work continues to repair the combined damage to homes, businesses, utilities and commercial buildings caused by hurricanes Hugo in 1989 and Marilyn in 1995 and, more recently, by Georges in 1998 and Lenny in 1999. The cost of the repairs continues to cause fiscal and financial problems in the Territory, despite federal assistance through grants and loans and close to US$ 500 million distributed to the Virgin Islands by the Federal Emergency Management Agency (FEMA) between 1995 and 2000.[4] In June 2000, just as the hurricane season was beginning, the United States Senate Government Operations Committee approved a bill providing for the Virgin Islands to join the nation's Emergency Management Assistance Compact (EMAC). This gives each member access to assistance from other member States or Territories in the event of disasters, in addition to the assistance provided by FEMA.[5]

B. Public finance

15. According to the incoming Governor in January 1999, as cited in press reports, the territorial Government bore a long-term debt of approximately $1 billion in addition to other obligations, including

$66 million in outstanding vendor payments, $24 million in delayed tax refunds, and $90 million owed to other funds and for unpaid debts of previous years. The situation deteriorated notably in the spring of 1999. The Governor announced on 6 April 1999 that the treasury was $5 million short of the amount needed to pay government salaries, and that, for the first time in the Territory's history, public salaries would not be paid as scheduled. Attempts to redress the poor fiscal situation were complicated by an October 1998 reduction in the rebate to the Territory of a federal rum tax. Fortunately, the rum tax cap was lifted by the United States Government in December 1999, generating an additional US$ 30 million for the local treasury.[6]

16. In June 1999, meetings were held between the Secretary of the Interior, the Governor of the Virgin Islands and the Delegate to Congress to discuss the Islands' severe financial problems. All three reaffirmed their commitment to implement the Virgin Islands Economic Revitalization Initiative and discussed the need for specific benchmarks to monitor the success of the territorial government in fulfilling its obligations.[7]

17. In August 1999, the Governor appointed the economic recovery task force, composed of representatives of the Islands' government, legislative and judiciary. The head of the Task Force, John DeJongh, reported in January 2000 that the public debt in the Islands had reached an "unimaginable" US$ 1.12 billion with the last six years, showing a government deficit. The report added that without measures to reduce expenditure and increase revenue, the deficit would reach a figure between US$ 80 million and US$ 100 million annually by 2004. The report proposed measures which would produce a budget surplus of US$ 212 million in the next five years.[8]

18. In fiscal year 1999, the United States' legislative appropriation for the United States Virgin Islands was US$ 489.2 million. In 2000 it received special extra funding of US$ 5.4 million to address critical federally ordered or mandated infrastructure needs. This money was also made contingent upon the Territory establishing financial and accountability performance standards included in a memorandum of understanding signed by the Governor and the Secretary of the Interior in October 1999. As a further incentive to implement these standards, the proposed 2001 budget includes an advance appropriation of US$ 10 million to continue addressing critical infrastructure needs. These funds, however, will not be available until fiscal year 2002 and only upon certification by the Interior Department that performance standards have been complied with. The budget request also includes an increase of US$ 1 million in the Office of Insular Affairs technical assistance programme to assist the Government of the islands to carry out broad fiscal reforms.[9]

C. Agriculture, livestock and fisheries

19. Agriculture has played a small part in the Territory's economy since the decline of sugar production in the 1960s. In the 1990 census, only 1.2 per cent of the economically active population was engaged in agriculture or fishing.

20. As a result, the Territory imports about 90 per cent of its food, at a cost of between $200 million and $300 million per year. Development of agriculture is hindered by high production costs and water scarcity. However, incentives to promote agriculture do exist. In particular, farm land is tax exempt, farm income is taxed at a lower rate than other income and imported farm equipment is 50 per cent exempt from excise taxes. In addition, a number of local and federal programmes provide assistance for agricultural development. Under an agreement with the United States Department of Agriculture, a Rural Development Loan Fund provides direct loans up to $99,500. The Small Business Development Agency provides direct loans of up to $10,000 for licensed farmers and fishermen. The Farmers Home Administration guarantees up to 90 per cent of bank loans for land, equipment, buildings and operating expenses.

D. Industry

21. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of its value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods manufactured for export include watches, textiles, electronics, pharmaceuticals and rum (responsible for 15 per cent of the Territory's export revenue).

22. Employment in manufacturing fell to 2,210 in 1997, due primarily to the closure of two of the seven watch assembly plants in the Territory. Employment in the sector is expected to rise as new jobs in petroleum and light manufacturing offset continued declines in the watch industry.

23. The industrial sector is dominated by the Hess Oil Refinery (St. Croix), one of the largest in the Western hemisphere, which employs 2,000 workers. On 30 October 1998 the Hess Oil Corporation formed a 50 per cent joint venture with Petróleos de Venezuela to own and operate the refinery. The new corporate entity was named Hovensa L.L.C. In the two months subsequent to the merger, total crude oil refined was 433,000 barrels per day, compared with 419,000 barrels per day for the previous 10 months, and 411,000 barrels per day in 1997. In February 2000, Hovensa announced the investment of US$ 600 million in the construction of a new coker project (a plant which converts pitch, the least valuable portion of crude oil, into higher value products) on St. Croix.[10] While 200 workers were employed initially to prepare the site, it is expected that needs will increase over a 10-month period and peak at about 2000 employees.[11]

24. During the period covered by this report, plans by the Texas-based company Beal Aerospace to build a rocket assembly plant on 14.4 acres of land at Great Pond, St. Croix, have been the subject of considerable controversy. According to press reports, the project was opposed by environmental groups. On 22 December 1999, a territorial Court Judge ruled that the Government could not legally transfer the land (which had been left in deed to the United States Virgin Islands by its late owner) to the company in question. Beal Aerospace appealed against this ruling on 7 January 2000 and announced on the same day that it was cancelling its plans to build the plant.[12] On 20 January 2000, the ruling was also appealed against by the Governor and Attorney-General, citing factual and procedural issues which they wanted the District Court appeals panel to consider.[13]

E. Banking and insurance

25. According to the most recent information provided by the administering Power (see A/AC.109/2076, paras. 12 and 13), as of 1995 deposits in the eight major financial institutions operating in the Territory (Banco Popular, Bank of St. Croix, Chase Manhattan, Citibank, First Bank P.R., First VI Federal Saving Bank, Bank of Nova Scotia and VI Community Bank) exceeded $1.2 billion. Time deposits, primarily in non-United States banks, represented 25 per cent of the total. The banks offer a full range of personal and corporate financial services. All banks are regulated by the territorial Banking Board headed by the Lieutenant Governor. United States banks operating in the Territory are also regulated and insured by United States law and institutions.

26. All types of insurance are available through insurance agents who represent major international insurance companies. The insurance industry is regulated by the Lieutenant Governor who serves as Insurance Commissioner.

F. Trade

27. The Territory is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The island benefits from other favourable trade concessions (see para. 21 above) as part of its relationship with the administering Power.

28. Nonetheless, the Territory generally runs at a trade deficit, owing to its heavy reliance on imported goods, most of which come from the mainland United States. In 1995, the Territory imported $3,300 million worth of goods, and exported $3,036 million, according to publicly available Department of Interior figures.

29. Furthermore, there are indications that trade has been affected by recent policies undertaken by the administering Power. According to press reports, local businessmen say that tariff concessions made as a result of signing the North American Free Trade Agreement (NAFTA) and joining the World Trade Organization have erased the price advantage the United States Virgin Islands used to have as a free port. The territory would be further affected by any future broadening of NAFTA into a free trade area of the Americas.

G. Tourism

30. The tourism sector accounts for more than 60 per cent of the gross territorial product and employs around two thirds of the workforce. According to press reports, annual cruise arrivals increased by 50 per cent from

1988 to 1998, reaching 1.6 million, which represented a record for the Territory. At the same time, overall tourism income fell from $901.7 million in 1993 to $601.2 million in 1997. More recent data from the Territory's Bureau of Economic Research indicates that 1999 was a mixed year for the tourism industry. While 505,473 visitors arrived by air in 1999, up 7.8 per cent from 1998, cruise passenger arrivals were down by 10 per cent. Overall hotel occupancy rates from January to November 1999 were 55.9 per cent, up by 3.7 per cent over 1998, but the figures fluctuated greatly from month to month. Although reportedly, no single factor was responsible for the year's overall decline in cruise ship visitors, press reports note that there was a general decrease in travel to the Caribbean and that several ships which call regularly at the Islands spent time in dry-dock maintenance, while other charter cruises were re-routed.[14]

31. In his State of the Territory address on 10 January 2000, the Governor vowed to reactivate the Tourism Advisory Council, a public-private partnership that would work with the Tourism Department to promote the industry. He also announced the release of US$ 1.5 million from the Government's General Fund for an advertising campaign to encourage tourism during the Summer season.[15]

32. In March 2000, a new hotel and gaming facility opened on St. Croix. The Divi Carina Bay Hotel and its adjoining Casino (the first on the island) has been hailed by the media as a catalyst to revitalize the economy of St. Croix, which has been in recession since hurricane Hugo in 1989.[16]

H. Transportation, communication and basic facilities

33. The Territory has five major docking facilities. South Shore (St. Croix) is located near the St. Croix airport and industrial park, and handles lift-on/lift-off and roll-on/roll-off vessels. Gallows Bay (St. Croix) has a combined berthing space of 700 feet and a small roll-on/roll-off ramp. Frederiksted's (St. Croix) 5,216-foot port can berth two large cruise ships and two mini-cruise ships simultaneously and can accommodate naval submarines. Crown Bay (St. Thomas) has three cruise ship docks operated by the Virgin Island Port Authority, a semi-autonomous government agency, as well as a 900-foot wharf which can accommodate roll-on/roll-off cargo and container and break bulk operations. The West Indian Company bulkhead pier (St. Thomas) is privately operated, primarily for cruise ships. In September 1998, a new $9 million molasses tanker pier was dedicated on the south shore of St. Croix. The facility can accommodate two long vessels simultaneously.

34. Two international airports, Cyril E. King Airport on St. Thomas and Henry Rohlsen Airport on St. Croix, are operated by the Port Authority. A US$ 40 million expansion project at St. Croix's airport is currently under way. The project is based on a 1994 report prepared by aviation experts for the Port Authority. It will expand the terminal building and the runway infrastructure in several phases.[17]

35. Electricity is thermally generated using imported fuels. The Water and Power Authority (WAPA) serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and a standby facility is located on St. John. Transmission and distribution of power is typically 13,800 volts, 3 phase, 60 hertz throughout the Territory. During the period under review there have been lengthy discussions about a proposal by a mainland company, Southern Energy Incorporated, to acquire a majority interest in WAPA. Faced with opposition to privatization, especially from union members, the Governor stressed in his State of the Territory Address that his Administration would only consider such a transaction if it provided better and more reliable service at more affordable rates, a greater return on the Government's investments in WAPA and adequate protection for existing WAPA employees.[18] An agreement between the Government and Southern Energy has yet to be reached.

36. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

37. In August 1998 ground was broken for the construction of a new $5.5 million waste water plant on the island of St. John. In addition, the board of the

Water and Power Authority approved a $507,000 project to replace old, corroded pipes in Christiansted with new polyvinyl chloride (PVC) pipes. The Government is also developing plans for the construction of integrated solid waste management facilities for St. Croix and for the St. Thomas-St. John District.[19]

V. Social conditions

A. Labour

38. According to information provided by the administering Power, the labour market improved slightly in 1997, as employment increased by 9 per cent to 43,453. The unemployment rate declined from 5.3 per cent in 1996 to 4.9 per cent in 1997.

39. The largest employer in the Territory remains the Government, accounting for 12,900 employees, about 12 per cent of the total population of the island. A large number of other employees are paid under government contracts and federal government grants. In 1997, the federal and local Governments combined accounted for 13,800 jobs, approximately one third of all civilian employment in the Territory. As part of the 1999 agreement between the territorial Government and the Department of the Interior measures to reverse the Islands' severe public finance problems, the government payroll is to be cut by five per cent per year for five years.[20] The recent report issued by the Economic Recovery Task Force concludes that the Government is too big and in need of extensive operations and management reform, and the report suggests a number of restructuring measures.[21]

40. The Territory has an insurance programme for the unemployed. Paying into the programme are 3,400 federal, local and private employers. The money is deposited into the United States Treasury at the federal level. Private employers paid $8.7 million in 1996 and $7.7 million in 1997. In 1996, 11,000 claimants received $11.5 million in benefits and in 1997, 7,300 claimants received $6.7 million in benefits. An external federal audit by a United States Inspector General in 1999 found $18.7 million in unrealized revenues and $408,200 in unsupported costs.

41. Employers must follow federal and territorial labour laws, such as minimum wage and hours, standards of safety and occupational health, and payment of social security and unemployment insurance.

B. Public health

42. The hospital in St. Thomas offers general service and has 157 beds. The hospital in St. Croix has 120 beds. There is also a 16-bed private hospital in St. Croix. Overall responsibility for the hospitals is held by the Department of Health. According to the Territory's Delegate to the United States Congress, many of the islands' health-care facilities are in need of renovation or reconstruction, there is no existing comprehensive health-care planning and there continue to be unserved communities, especially in Hispanic and other newly immigrated populations, where outreach is needed.[22] In January 2000, Governor Turnbull announced that the Department of Health had embarked on an aggressive capital improvement programme to rehabilitate unoccupied buildings. A new Mental Health Complex on St. Thomas was to be established to treat patients now housed in the United States, saving US$ 1.7 million in off-island health-care costs. On St. Croix other medical facilities, such as the Charles Harwood Complex, the Fredriksted Health Centre and the Ingeborg Nesbitt Clinic were slated for renovation.[23]

43. In 1999, for the first time, the Territory was the recipient of federal Department of Health and Human Services grants to improve access to human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) support services and medication. The Territory received $624,935 in such grants. There have been a total of 377 AIDS cases reported in the Territory, and 199 known deaths to date. The number of new cases reported in 1998 was 30, down from 74 in 1997. In April 2000, the United States Department of Health and Human Services earmarked a total of US$ 667,110 in grants for the Virgin Islands to provide care to low-income, uninsured persons affected by the epidemic as well as financial assistance to purchase human immunodeficiency virus (HIV) medications.[24]

C. Crime and crime prevention

44. High crime rates are a matter of concern in the United States Virgin Islands. By United States standards, the Territory has one of the highest per

capita murder rates, an issue which the Government acknowledges undermines efforts to increase tourism and improve the economy. The police force is administered by the Virgin Islands Government Department of Police. In the past years, police investigations and forensic work have been hampered by a lack of facilities vehicles and equipment. In 1999, the Police Departments Training curriculum was revised and recruits and officers received field training in crime scene and investigation and forensic techniques through the University of Kansas Law Enforcement Training Institute.[25] In January 2000, Governor Turnbull announced improvements in police facilities and, by maximizing Federal funds, an increase of 30 police officers by the end of the fiscal year. A month later, the Police Commissioner made public that the Forensic Unit (the members of which had imposed a moratorium on processing bio-hazardous materials until they received safety equipment) was moving into a renovated space in the Criminal Justice Complex on St. Thomas. Among the new facilities provided are fingerprint analysis sets, evidence storage equipment and software for storing and viewing mugshots.[26]

45. An Adult Correctional Facility is located on St. Croix. In March 1999, a United States federal court ordered the local Government to relieve overcrowding at local prisons. At that time, the current prison population in the Territory was 308. In addition, 192 inmates were incarcerated in off-island prisons to reduce overcrowding. According to the Governor, the construction of the US$ 24 million Golden Grove prison expansion and renovation project is on schedule and will be completed by the end of 2000.[27]

46. According to Government and Police authorities the transit of illegal drugs through the Territory is a root cause of much of the escalation in crime. In 1994, the Office of National Drug Control Policy designated the United States Virgin Islands, along with Puerto Rico, a High Intensity Drug Trafficking Area (HIDTA) as they were recognized as major drug trans-shipment points between South America and the United States. Since 1994, the two Territories have been receiving approximately $9 million combined in extra funding to reduce the flow of drugs. In his January 2000 address, Governor Turnbull vowed to continue to work closely with the Drug Enforcement Agency (DEA), United States Customs, Immigration, the Coast Guard and the United States Attorney's Office to combat the importation and sale of illegal drugs.

D. Educational conditions

47. Education is compulsory and free for all children between 5 and a half and 16 years of age. The Government's Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. According to the administering Power, maintenance of the physical facilities is poor and vandalism is a constant problem.

48. School enrolment has been steadily declining since its peak in 1983 at 33,092 students. By 1997 it had fallen 15 per cent to 28,303, of which about 6,600 attended private schools.

49. Accreditation of local schools by the Middle States Association was extended until 1 May 2001. The Association noted that the extension of accreditation was in part due to a renewed commitment on the part of the local government towards the school system.

50. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and provides courses in business administration, the humanities, social sciences and teacher education, and occupational courses in accounting, business management, secretarial administration, nursing, police science and administration.

51. The Governor announced during his State of the Territory address in January 2000 that education was a top priority and that the Department had presented a five-year strategic plan to establish safe, drug-free schools, ensure that they have adequate supplies and maintenance, and update teacher-training programmes. He also announced his Government's commitment to build a third high school on Saint Thomas and another school building on Saint John and to provide adequate funding for the University of the Virgin Islands.[28]

E. Human rights

52. More than 3,000 Black farmers from the United States Virgin Islands submitted a class action lawsuit against the United States Department of Agriculture in 1997, alleging that it discriminated against Black farmers in its disbursement of loans. In January 1999, the USDA settled the suit in favour of the farmers,

agreeing to provide monetary compensation. In the same month, a local company, HAP Construction Company, sued the Army Corps of Engineers, the Defense Department and the Federal Emergency Management Agency, alleging racial discrimination in the award of a contract to clear debris left by hurricane Marilyn. In January 2000, residents of St. Croix joined a broad class action suit against the United States Department of Agriculture, alleging systematic discriminatory practices by its Rural Development Office against Blacks and Hispanics who tried to participate in its housing loans and grants programmes.[29]

VI. Future political status of the Territory

53. No significant action on the political status of the Territory has been taken since a referendum was held in 1993. In that ballot, only 27.4 per cent of registered voters voted on the question (of which 80.3 per cent supported the existing status, 14.2 per cent voted for full integration with the United States, and 4.8 per cent voted for an end to United States sovereignty). The result was considered invalid as less than the requisite 50 per cent of the electorate voted.

A. Position of the territorial Government

54. Speaking before the Fourth Committee on 5 October 1999, the Minister of State for External Affairs of the United States Virgin Islands[30] referred to his participation at the special session of the General Assembly five-year review of the Global Conference on the Sustainable Development of Small Island Developing States as a defining moment in the implementation of the spirit of Fourth Committee resolutions which historically linked the process of self-determination and the Territories' participation in the work of the United Nations. The recent regional seminar held in Saint Lucia had stressed the importance of involving the Territories in such socio-economic and technical programmes as those adopted at United Nations world conferences. His Government had submitted a regional project to assist small island Non-Self-Governing Territories in the implementation of action plans on sustainable development. Its endorsement by the Fourth Committee would assist the Territories in finding the necessary external resources.

55. The seminar had also emphasized the need for increased membership or observer status for the Territories in international organizations. Currently, some Territories were participating as associate members or observers in the work of the specialized agencies, regional economic commissions, world conferences and subsequent special sessions of the Assembly. Since over the years requests for participation had been approved by consensus, it was not clear why the resolution submitted to the Fourth Committee and the companion resolution adopted by the Economic and Social Council had not achieved the same unanimity. The United States Virgin Islands urged that such resolutions be adopted by consensus. The Economic Commission for Latin America and the Caribbean, in its resolution 574 (XXVII) of 1998, supported the granting of observer status in the Council to Territories which were associate members of the regional commissions. In accordance with the principle of universality proclaimed in the Charter, they should also have observer status in the General Assembly.

56. He noted the minimal response of the United Nations system to the Secretary-General's appeal for information on the implementation of the Declaration on Decolonization (A/54/119), and urged the Fourth Committee to reiterate that appeal. Despite the recommendations in the resolution on the activities of the specialized agencies in the Territories, no specific proposals for assistance had been received, no progress reviews had been included in the agendas of the governing bodies and no reports had been submitted on the implementation of relevant resolutions. It was essential to follow up the implementation of the resolutions more closely. He concluded that the progress achieved in drawing the Organization's attention to socio-economic and constitutional issues in the Territories had largely been possible through the efforts of the Territories themselves. However, they needed assistance. Their participation in the programmes and activities of the United Nations system would promote the process of decolonization.

B. Position of the administering Power

57. In a statement made to the Fourth Committee during the fifty-fourth session of the General Assembly,[31] on 6 October 1999, a representative of the United States noted that although important work remained to be done in the field of decolonization

much had already been accomplished; since the adoption of the Declaration on the Granting of Independence to Colonial Countries and Peoples, over 60 former colonial Territories had exercised self-determination and joined the United Nations as sovereign members. While continuing to believe that the standards applied in General Assembly resolutions 1514 (XV) and 1541 (XV) were too narrow, his country offered its full support to countries which chose independence. Equally, it supported the right of people in Non-Self-Governing Territories to a full measure of self-government if that was what they chose. Reaffirming his respect for the rights of self-determination, he called on the Committee members to respect similarly the choices made by the residents of Non-Self-Governing Territories, and stressed that no single standard of decolonization applied to every Territory.

58. At the close of the International Decade for the Eradication of Colonialism, tremendous political, economic and social progress had occurred and was still occurring in the lives of the residents of Non-Self-Governing Territories; his country accordingly questioned the applicability of the term "non-self-governing" to those in a position to take such steps as establishing their own constitution, electing public officers and choosing their own economic path. His country applauded the recognition of different paths to development, and hoped that Committee members would join it in recognizing that the presence of outside economic and military interests in Non-Self-Governing Territories, far from being detrimental to the interests of those Territories or their peoples, formed the basis of partnership between a region and the outside world. In that connection, each case should be considered on its own merit. Investment was not necessarily a bad thing, and economic activities need not constitute a major obstacle to independence. Lastly, he shared the sentiments expressed by the representatives of China and the United Kingdom concerning the efforts of the Chairman of the Special Committee on decolonization to revitalize the Committee's work with the administering Powers, which boded well for achieving the goal of eradicating colonialism. His country looked forward to continuing to work closely with the Committee in a spirit of mutual cooperation and respect.

C. Action by the General Assembly

59. On 6 December 1999, the General Assembly adopted, without a vote, resolution 54/90, section XI of which concerns the United States Virgin Islands. In the resolution, the Assembly, *inter alia*, requested the administering Power to bear in mind the views of the people of the Territory and keep the Secretary-General informed of the wishes and aspirations of the people regarding their future political status; to continue to assist the territorial Government in achieving its political, economic and social goals; and to facilitate the participation of the Territory, as appropriate, in various organizations, in particular the Organization of Eastern Caribbean States, the Caribbean Community and the Association of Caribbean States. The Assembly expressed concern that the Territory, which was already heavily indebted, had had to borrow US$ 21 million from a commercial bank to carry out its year 2000 computer compliance programme, and called for the United Nations year 2000 programme to be made available to the Non-Self-Governing Territories. It noted that the general elections held in the Territory in November 1998 had resulted in an orderly transfer of power. Finally, the Assembly expressed concern that the territorial Government was facing severe fiscal problems, which had resulted in an accumulated debt of more than one billion United States dollars, welcomed the measures being taken by the newly elected territorial Government in addressing the fiscal crisis, and called upon the administering Power to provide every assistance required to alleviate the crisis, including the provision of appropriate debt relief and loans.

Notes

[1] The information contained in the present working paper was derived from information transmitted to the Secretary-General by the Government of the United States of America as well as from published sources.

[2] United States Department of the Interior, Office of Insular Affairs, *A Report on the State of the Islands, 1999*.

[3] United States Virgin Islands Governor Charles W. Turnbull, III, "State of the Territory Address", 10 January 2000, accessed at: 222.nga.org.

[4] *United States Virgin Islands Daily News*, 14 February 2000.

[5] Based on data access at: www.onepaper.com, St. Thomas Source, 2 June 2000.

[6] Governor Turnbull, loc. cit.

[7] Office of Insular Affairs, news release, 24 June 1999.

[8] *Caribbean Insight*, 28 January 2000.

[9] Office of Insular Affairs, news release, 8 February 2000.

[10] *Daily News*, 12 February 2000.

[11] Based on data accessed at: www.onepaper.com, St. Croix Source, 2 June 2000.

[12] Based on data accessed at: www.bealaerospace.com, and *Daily News*, 11 January 2000.

[13] *Daily News*, 20 January 2000.

[14] Ibid., 31 December 1999.

[15] Governor Turnbull, loc. cit.

[16] *Daily News*, 4 February 2000.

[17] Ibid., 8 March 2000.

[18] Governor Turnbull, loc. cit.

[19] Ibid.

[20] *Daily News*, 31 January 2000.

[21] Ibid., 15 January 2000.

[22] Ibid., 24 January 2000.

[23] Governor Turnbull, loc. cit.

[24] Based on data accessed at: www.os.dhhs.gov/news, 7 April 2000.

[25] Based on data accessed at: www.onepaper.com, *The Vanguard*, St. Croix Foundation, 2 June 2000.

[26] *Daily News*, 8 February 2000.

[27] Governor Turnbull, loc. cit.

[28] Ibid.

[29] *Daily News*, 13 January 2000.

[30] A/C.4/54/SR.4.

[31] A/C.4/54/SR.5.

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Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

United States Virgin Islands

Working paper prepared by the Secretariat

Corrigendum

1. **Paragraph 7**

The first three sentences *should read*:

Since the Organic Act of the United States Virgin Islands (1936) was last revised in 1954, there have been five attempts to draft a local constitution in order to organize the internal mechanisms of government. None of the five attempts were successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993.

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